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山東威高集團醫用高分子製品股份有限公司
Shandong Weigao Group Medical Polymer Company Limited *

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1066)

**SUPPLEMENTING THE TERMS AND INCREASING
THE ANNUAL CAPS OF EXISTING
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcements of the Company dated 5 December 2018, 27 September 2019 and 18 December 2019 and the circular of the Company dated 27 September 2019 in relation to, among others, the CCT Agreements.

On 2 November 2020, the Company entered into the Supplemental Agreements to (i) revise the annual caps for the year ending 31 December 2020 (as the case may be); (ii) extend the agreement term for one year; and (iii) propose new annual cap for the year ending 31 December 2021. All other terms as stipulated in the CCT Agreements remain unchanged.

As at the date of this announcement, Weigao Holding is the controlling shareholder of the Company and holds approximately 46.43% of the issued share capital of the Company. Accordingly, Weigao Holding is a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Agreements constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios (other than the profit ratio) in respect of each of the CCT Agreements (as amended by the Supplemental Agreements) exceeds 0.1%, but is less than 5.0%, the CCT Agreements (as amended by the Supplemental Agreements) are subject to the reporting, announcement and annual review requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE SUPPLEMENTAL AGREEMENTS

Reference is made to the announcements of the Company dated 5 December 2018, 27 September 2019 and 18 December 2019 and the circular of the Company dated 27 September 2019 in relation to, among others, the CCT Agreements.

On 2 November 2020, the Company entered into the Supplemental Agreements to (i) revise the annual caps for the year ending 31 December 2020 (as the case may be); (ii) extend the agreement term for one year; and (iii) propose new annual cap for the year ending 31 December 2021. Save for the aforesaid, all other terms as stipulated in the CCT Agreements remain unchanged. For details of the terms of the CCT Agreements, please refer to the Announcement.

(1) The Supplemental Sales Framework Agreement

Under the Sales Framework Agreement, the Company agrees to sell or procure its subsidiaries to sell, and the Weigao Holding Group agrees to purchase or procure its subsidiaries to purchase, including but not limited to, medical devices, carton box and moulding on a non-exclusive basis.

On 2 November 2020, the Company entered into the Supplemental Sales Framework Agreement with Weigao Holding to (i) revise the annual cap for the year ending 31 December 2020 from RMB280 million to RMB450 million; (ii) extend the term of the agreement for one year to 31 December 2021; and (iii) propose new annual cap of RMB500 million for the year ending 31 December 2021.

	Year ended	Year ending	
	31 December	31 December	31 December
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing annual caps	350 million	280 million	N/A
Proposed Annual Caps	N/A	450 million	500 million

Except for the revision of the existing annual cap for the year ending 31 December 2020, the extension of the duration of the agreement and the proposition of the new annual cap for the year ending 31 December 2021, all other terms of the Sales Framework Agreement remain unchanged.

(2) The Supplemental Tenancy Framework Agreement

Under the Tenancy Framework Agreement, the Group agrees to lease its premises located at industrial zone at Chucun in Weihai in Shandong Province, the PRC to the Weigao Holding Group and receive rentals therefrom.

On 2 November 2020, the Company entered into the Supplemental Tenancy Framework Agreement with Weigao Holding to (i) extend the term of the agreement for one year to 31 December 2021; and (ii) propose new annual cap of RMB25 million for the year ending 31 December 2021.

	Year ended	Year ending	
	31 December	31 December	31 December
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing annual caps	23 million	25 million	N/A
Existing or Proposed Annual Caps	N/A	25 million	25 million

Except for the extension of the duration of the agreement and the proposition of the new annual cap for the year ending 31 December 2021, all other terms of the Tenancy Framework Agreement remain unchanged.

(3) The Supplemental Services Framework Agreement

Under the Services Framework Agreement, the Weigao Holding Group agrees to provide transportation services, dormitory, canteen and catering services and hotel services to the Group.

On 2 November 2020, the Company entered into the Supplemental Services Framework Agreement with Weigao Holding to (i) extend the term of the agreement for one year to 31 December 2021; and (ii) propose new annual cap of RMB90 million for the year ending 31 December 2021.

	Year ended	Year ending	
	31 December	31 December	31 December
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing annual caps	80 million	90 million	N/A
Existing or Proposed Annual Caps	N/A	90 million	90 million

Except for the extension of the duration of the agreement and the proposition of the new annual cap for the year ending 31 December 2021, all other terms of the Services Framework Agreement remain unchanged.

(4) The Supplemental Finance Leasing and Factoring Framework Agreement

Under the Finance Leasing and Factoring Framework Agreement, the Group agrees to provide finance leasing and recourse and non-recourse factoring and other commercial factoring services to the Weigao Holding Group.

On 2 November 2020, the Company entered into the Supplemental Finance Leasing and Factoring Framework Agreement with Weigao Holding to (i) extend the term of the agreement for one year to 31 December 2021; and (ii) propose new annual cap of RMB500 million for the year ending 31 December 2021.

	Year ended	Year ending	
	31 December	31 December	31 December
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing annual caps	500 million	500 million	N/A
Existing or Proposed Annual Caps	N/A	500 million	500 million

Except for the extension of the duration of the agreement and the proposition of the new annual cap for the year ending 31 December 2021, all other terms of the Finance Leasing and Factoring Framework Agreement remain unchanged.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENTS

(1) The Supplemental Sales Framework Agreement

Given that the Sales Framework Agreement will expire on 31 December 2020 and that the Company expects to continue to sell products to the Weigao Holding Group, the agreement term is proposed to be extended to 31 December 2021.

The table below sets out the actual transaction amounts for the year ended 31 December 2019 and the nine months ended 30 September 2020.

	For the year ended 31 December 2019 <i>approximately</i> RMB	For the year ending 2020 <i>approximately</i> RMB
Existing annual caps	350 million	280 million
Actual transaction amount	311.7 million	230.0 million <i>(up to 30 September 2020)</i>
Utilisation rate	89.1%	82.1% <i>(up to 30 September 2020)</i>

As shown in the table above, the actual transaction amount for the nine months ended 30 September 2020 under the Sales Framework Agreement has reached approximately 82.1% of the existing annual cap for the year ending 31 December 2020.

Based on the actual transaction amounts up to 30 September 2020 and the estimated demand for the remaining three months ending 31 December 2020, the existing annual cap of RMB280 million for the year ending 31 December 2020 is expected to be insufficient. The Company therefore entered into the Supplemental Sales Framework Agreement with Weigao Holding to revise the annual cap from RMB280 million to RMB450 million for the year ending 31 December 2020 and propose new annual cap of RMB500 million for the year ending 31 December 2021.

The Proposed Annual Caps were determined with reference to the historical transaction amounts and expected market growth.

(2) The Supplemental Tenancy Framework Agreement

Given that the Tenancy Framework Agreement will expire on 31 December 2020 and that the Company expects to continue to receive rental from the Weigao Holding Group, the agreement term is proposed to be extended to 31 December 2021.

The table below sets out the actual transaction amounts for the year ended 31 December 2019 and the nine months ended 30 September 2020.

	For the year ended 31 December 2019 <i>approximately</i> RMB	For the year ending 2020 <i>approximately</i> RMB
Existing annual caps	23 million	25 million
Actual transaction amount	14.0 million	16.0 million <i>(up to 30 September 2020)</i>
Utilisation rate	60.9%	64.0% <i>(up to 30 September 2020)</i>

The Proposed Annual Cap for the year ending 31 December 2021, which is the same as the existing annual cap for the year ending 31 December 2020, was determined with reference to the anticipated rental rates for the premises located at Chucun in Weihai in Shandong Province, the PRC leased by the Weigao Holding Group.

(3) The Supplemental Services Framework Agreement

Given that the Services Framework Agreement will expire on 31 December 2020 and that the Company expects to continue to procure the transportation services, dormitory, canteen and catering services and hotel services from the Weigao Holding Group, the agreement term is proposed to be extended to 31 December 2021.

The table below sets out the actual transaction amounts for the year ended 31 December 2019 and the nine months ended 30 September 2020.

	For the year ended 31 December 2019 <i>approximately</i> RMB	For the year ending 2020 <i>approximately</i> RMB
Existing annual caps	80 million	90 million
Actual transaction amount	38.3 million	28.0 million <i>(up to 30 September 2020)</i>
Utilisation rate	47.9%	31.1% <i>(up to 30 September 2020)</i>

The Proposed Annual Cap for the year ending 31 December 2021 was determined with reference to the historical transaction amounts and the potential growth in demand for services from the Weigao Holding Group for the financial year ending 31 December 2021.

(4) The Supplemental Finance Leasing and Factoring Framework Agreement

Given that the Finance Leasing and Factoring Framework Agreement will expire on 31 December 2020 and that the Company expects to provide finance leasing and recourse and non-recourse factoring and other commercial factoring services to the Weigao Holding Group, the agreement term is proposed to be extended to 31 December 2021.

The table below sets out the actual transaction amounts for the year ended 31 December 2019 and the nine months ended 30 September 2020.

	For the year ended 31 December 2019 <i>approximately</i> RMB	For the year ending 2020 <i>approximately</i> RMB
Existing annual caps	500 million	500 million
Actual transaction amount	460.4 million	343.0 million <i>(up to 30 September 2020)</i>
Utilisation rate	92.1%	68.6% <i>(up to 30 September 2020)</i>

The Proposed Annual Cap for the year ending 31 December 2021, which is the same as the annual cap for the year ending 31 December 2020, was determined with reference to the historical transaction amounts.

As at the date of this announcement, none of the annual caps under the CCT Agreements has been exceeded.

In light of the above, the Directors (other than Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Long Jing and Mrs. Zhou Shu Hua but including the independent non-executive Directors) consider that the Supplemental Agreements were entered into in the usual and ordinary course of business of the Group, are conducted on an arm's length basis and on normal commercial terms (including the Proposed Annual Caps), and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Long Jing and Mrs. Zhou Shu Hua who are also directors of Weigao Holding, have abstained from voting in the relevant resolutions of the board meeting of the Company.

INFORMATION REGARDING THE GROUP AND WEIGAO HOLDING

The Group

The Group is principally engaged in the research and development, production and sale of single-use medical devices and operates finance lease and factoring business in the PRC. The Group has a wide range of products, which cover eight principle business lines of clinical care, wound management, blood management, pharma packaging, medical testing, anesthesia and surgery, orthopaedic products and interventional products. The Group's products are sold under its own brand names, including "Jierui", "Wego Ortho", "Yahua", "Bangde" and "Hai Xing". The products are sold throughout the PRC and exported to overseas.

Weigao Holding

Weigao Holding is a conglomerate corporate and is engaged in different business sectors, including production and sales of pharmaceutical and medical equipment, logistic services, property development, hotel business, and food and beverage services and logistic business in China.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Weigao Holding is the controlling shareholder of the Company and holds approximately 46.43% of the issued share capital of the Company. Accordingly, Weigao Holding is a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Agreements constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios (other than the profit ratio) in respect of each of the CCT Agreements (as amended by the Supplemental Agreements) exceeds 0.1%, but is less than 5.0%, the CCT Agreements (as amended by the Supplemental Agreements) are subject to the reporting, announcement and annual review requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

“Announcement”	the announcement of the Company dated 5 December 2018 in relation to, among others, the CCT Agreements
“Board”	the board of Directors
“CCT Agreements”	the Sales Framework Agreement, the Tenancy Framework Agreement, the Services Framework Agreement and the Finance Leasing and Factoring Framework Agreement
“Company”	Shandong Weigao Group Medical Polymer Company Limited* (山東威高集團醫用高分子製品股份有限公司), a joint stock limited company incorporated in the People's Republic of China with limited liability and the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company

“Finance Leasing and Factoring Framework Agreement”	the agreement dated 5 December 2018 entered into between the Company and Weigao Holding (as amended by the supplemental agreement dated 27 September 2019), details of which are set out in the section headed “E. Finance Leasing and Factoring Framework Agreement” of the Announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	the Shareholders, other than Weigao Holding, Mr. Zhang Hua Wei, Mrs. Zhou Shu Hua, Mr. Wang Yi and their respective associates (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Taiwan, Hong Kong and the Macau Special Administrative Region
“Proposed Annual Caps”	the proposed annual caps for the years ending 31 December 2020 and 2021 to the CCT Agreements under the Supplemental Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Framework Agreement”	the agreement dated 5 December 2018 entered into between the Company and Weigao Holding (as amended by the supplemental agreement dated 18 December 2019), details of which are set out in the section headed “B. Sales Framework Agreement” of the Announcement

“Services Framework Agreement”	the agreement dated 5 December 2018 entered into between the Company and Weigao Holding, details of which are set out in the section headed “D. Services Framework Agreement” of the Announcement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	H share(s) of RMB0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the Supplemental Finance Leasing and Factoring Framework Agreement, the Supplemental Sales Framework Agreement, the Supplemental Services Framework Agreement and the Supplemental Tenancy Framework Agreement
“Supplemental Finance Leasing and Factoring Framework Agreement”	the agreement dated 2 November 2020 entered into between parties to the Finance Leasing and Factoring Framework Agreement to extend the duration of the Finance Leasing and Factoring Framework Agreement
“Supplemental Sales Framework Agreement”	the agreement dated 2 November 2020 entered into between parties to the Sales Framework Agreement to amend the annual caps and to extend the duration of the Sales Framework Agreement
“Supplemental Services Framework Agreement”	the agreement dated 2 November 2020 entered into between parties to the Services Framework Agreement to extend the duration of the Services Framework Agreement
“Supplemental Tenancy Framework Agreement”	the agreement dated 2 November 2020 entered into between parties to the Tenancy Framework Agreement to extend the duration of the Tenancy Framework Agreement

“Tenancy Framework Agreement”	the agreement dated 5 December 2018 entered into between the Company and Weigao Holding, details of which are set out in the section headed “C. Tenancy Framework Agreement” of the Announcement
“Weigao Holding”	Weigao Holding Company Limited* (威高集團有限公司), a company established under the laws of the PRC with limited liability and a controlling shareholder of the Company, holding approximately 46.43% of the issued share capital of the Company as at the date of this announcement
“Weigao Holding Group”	Weigao Holding and its subsidiaries (other than the Group)
“%”	per cent

By Order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Zhang Hua Wei
Chairman

* For identification purpose only

Hong Kong, 2 November 2020

As at the date of this announcement, the Board comprises:

Mr. Zhang Hua Wei (*Executive Director*)
Mr. Wang Yi (*Executive Director*)
Mr. Long Jing (*Executive Director*)
Mr. Gong Jian Bo (*Executive Director*)
Mrs. Zhou Shu Hua (*Non-executive Director*)
Mr. Lo Wai Hung (*Independent non-executive Director*)
Mrs. Fu Ming Zhong (*Independent non-executive Director*)
Mrs. Wang Jin Xia (*Independent non-executive Director*)