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WEGO 威高

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 TERM OF AND INCREASING
THE ANNUAL CAP OF EXISTING
LOGISTIC AND DISTRIBUTION SERVICES
FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 26 August 2020 and circular of the Company dated 22 September 2020 in relation to, among others, the Logistic and Distribution Services Framework Agreement.

On 27 August 2021, the Group entered into the Supplemental Agreement to revise the annual cap for the year ending 31 December 2021. All other terms as stipulated in the Logistic and Distribution Services Framework Agreement 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 and Distribution Company is a wholly owned subsidiary of Weigao Holding. Accordingly, Weigao Holding and Distribution Company are connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the Supplemental Agreement is over 5%, the Logistic and Distribution Services Framework Agreement (as amended by the Supplemental Agreement) is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE SUPPLEMENTAL AGREEMENT

Reference is made to the announcement of the Company dated 26 August 2020 and the circular of the Company dated 22 September 2020 in relation to, among others, the Logistic and Distribution Services Framework Agreement.

On 27 August 2021, the Group entered into the Supplemental Agreement to revise the annual cap for the year ending 31 December 2021. All other terms as stipulated in the Logistic and Distribution Services Framework Agreement remain unchanged.

(1) The Supplemental Agreement

The Company entered into the Supplemental Agreement with Distribution Company to revise the existing annual cap for the year ending 31 December 2021 from RMB1,400 million to RMB2,500 million.

	Year ending 31 December 2021 <i>RMB</i>
Original annual cap	1,400 million
Proposed Annual Cap	2,500 million

Except for the revision of the existing annual cap for the year ending 31 December 2021, the principal terms of the Logistic and Distribution Services Framework Agreement remain unchanged and are set out below:

Subject matter : Provision of nation-wide distribution services by the Distribution Company Group under an integrated medical device supply chain with management mode with optimized product and customer structure.

Material terms : The Distribution Company Group provides integrated medical device supply chain logistic services to the Group, the conditions thereof shall not be less favorable than those available to the Group from independent third parties for comparable distribution logistic services. The Group utilizes the distribution services of the Distribution Company Group on a voluntary and non-compulsory basis and is not obliged to engage the distribution services provider of the Distribution Company Group for any distribution and logistic services. The Distribution Company Group may, from time to time, enter into separate individual agreements with the Group for the provision of distribution services, provided that the principles under the Logistic and Distribution Services Framework Agreement must be observed.

Pricing policy: The comprehensive pricing (including fees) of the distribution services charged by the Distribution Company Group shall be fair and reasonable and shall not be higher than the comprehensive pricing of the similar distribution services provided by independent third parties to the Group during the same period.

REASONS FOR ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT

Given that the Company expects to continue to procure the services from the Distribution Company Group under the Logistic and Distribution Services Framework Agreement and the actual transaction amount for the seven months ended 31 July 2021 was approaching the original annual cap, the annual cap for the year ending 31 December 2021 is proposed to be increased.

The table below sets out the actual transaction amounts for the year ended 31 December 2020 and the seven months ended 31 July 2021.

	For the year ended 31 December 2020 <i>approximately</i> <i>RMB</i>	For the seven months ended 31 July 2021 <i>approximately</i> <i>RMB</i>
Actual transaction amount	1,128.2 million	1,147.7 million

As shown in the table above, the actual transaction amount for the seven months ended 31 July 2021 under the Logistic and Distribution Services Framework Agreement has reached approximately 81.9% of the original annual cap for the year ending 31 December 2021.

The Proposed Annual Cap was determined with reference to factors including, the actual transaction amount of the Logistic and Distribution Services of approximately RMB1,147.7 million for the seven months ended 31 July 2021, representing approximately 81.9% of the existing annual cap and approximately 45.9% of the Proposed Annual Cap, respectively; the historical significant growth in transaction amount with the Distribution Company in respect of the Logistic and Distribution Services; the prospects and overview of the PRC medical device industry; the historical business and financial growth of the Group and the increasing number of PRC customers which the Group has distributed the products to using the Logistic and Distribution Services procured from Distribution Company Group.

As at the date of this announcement, the annual cap under the Logistic and Distribution Services Framework Agreement has not been exceeded.

In light of the above, the Directors (other than Mr. Long Jing, Mr. Cong Rinan, Mr. Tang Zhengpeng, Mr. Chen Lin and Mr. Lian Xiaoming and the independent non-executive Directors whose view will be given after taking the advice from the Independent Financial Adviser) consider that the Supplemental Agreement was 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 Cap), and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Long Jing, Mr. Cong Rinan, Mr. Tang Zhengpeng, Mr. Chen Lin and Mr. Lian Xiaoming who are also directors of Weigao Holding, have abstained from voting in the relevant resolution of the board meeting of the Company dated 27 August 2021.

INFORMATION REGARDING THE GROUP AND WEIGAO HOLDING AND DISTRIBUTION COMPANY

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 the PRC.

Distribution Company

Distribution Company is a company incorporated under the laws of the PRC with limited liability and is a wholly owned subsidiary of Weigao Holding. Distribution Company is principally engaged in medical device logistic operation and distribution services in the PRC.

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 and Distribution Company is a wholly owned subsidiary of Weigao Holding. Accordingly, Weigao Holding and Distribution Company are connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the Supplemental Agreement is over 5%, the Logistic and Distribution Services Framework Agreement (as amended by the Supplemental Agreement) is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The Independent Board Committee has been formed to consider whether the terms of the Logistic and Distribution Services Framework Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder, and the Proposed Annual Cap are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to voting at the EGM. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing (i) further details of the transactions contemplated under the Logistic and Distribution Services Framework Agreement (as amended by the Supplemental Agreement); (ii) the recommendation of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 1 September 2021.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Board”	the board of Directors
“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 PRC with limited liability and the Shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Distribution Company”	Shandong Weigao Medical Company Limited* (山東威高醫藥有限公司), a company established under the laws of the PRC with limited liability and is a wholly owned subsidiary of Weigao Holding
“Distribution Company Group”	Distribution Company and its subsidiaries. They are wholly owned subsidiaries of Weigao Holding
“EGM”	the extraordinary general meeting of the Company to be convened and to consider and, if thought fit, approve, the Logistic and Distribution Services Framework Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including the Proposed Annual Cap)
“Group”	the Company and its subsidiaries

“Independent Board Committee”	an committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser”	China Galaxy International Securities (Hong Kong) Co., Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
“Independent Shareholders”	the Shareholders, other than Weigao Holding, Mr. Chen Lin, Mr. Long Jing and Mr. Cong Rinan and their respective associates (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logistic and Distribution Services Framework Agreement”	the agreement dated 5 December 2018 entered into between the Company and Distribution Company (as amended by the supplemental agreements dated 27 September 2019 and 26 August 2020)
“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 Cap”	the proposed annual cap for the year ending 31 December 2021 of the Logistic and Distribution Services Framework Agreement under the Supplemental Agreement
"RMB"	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“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 Agreement”	the agreement dated 27 August 2021 entered into between parties to the Logistic and Distribution Services Framework Agreement to amend the annual cap of the Logistic and Distribution Services Framework Agreement
“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 Company)
“%”	percentage or per centum

By Order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Long Jing
Chairman

* *for identification purposes only.*

Hong Kong, 27 August 2021

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

Executive Directors

Mr. Long Jing (*Chairman*)

Mr. Cong Rinan (*Chief Executive Officer*)

Non-executive Directors

Mr. Tang Zhengpeng (*Vice Chairman*)

Mr. Chen Lin

Mr. Lian Xiaoming

Independent non-executive Directors

Mr. Lo Wai Hung

Mrs. Fu Mingzhong

Mrs. Wang Jinxia