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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)

**EXEMPTED CONNECTED TRANSACTION –
DEEMED DISPOSAL OF INTEREST IN WEIGAO ORTHO**

DEEMED DISPOSAL OF INTEREST IN WEIGAO ORTHO

Weigao Ortho and the Subscribers entered into the Subscription Agreement, pursuant to which Weigao Ortho agreed to issue, and the Subscribers agreed to subscribe for, the Subscription Shares at an aggregate consideration of approximately RMB311 million (equivalent to approximately HK\$373.7 million). Upon completion of the Subscription Agreement, the equity interest of the Company in Weigao Ortho has been reduced from 90% to 81%. The Subscription constituted a deemed disposal under Chapter 14 of the Listing Rules.

Each of the Subscribers is controlled by Mr. Gong, an executive Director, and a connected person of the Company. The Subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Subscription Agreement and the transactions contemplated thereunder are more than 0.1% but less than 5%, the Subscription is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

* *For identification purpose only*

DEEMED DISPOSAL

The Subscription Agreement

Date: 29 April 2016

Parties:

- (1) Weigao Ortho as the issuer
- (2) the First Partnership and the Second Partnership as the Subscribers

Assets to be disposed

Weigao Ortho agreed to issue, and the First Partnership agreed to subscribe for, 15,555,555 Ortho Shares at the subscription price of RMB14 per Ortho Share, representing approximately 7% of the enlarged registered capital of Weigao Ortho upon completion of the Subscription Agreement.

Weigao Ortho agreed to issue, and the Second Partnership agreed to subscribe for, 6,666,667 Ortho Shares at the subscription price of RMB14 per Ortho Share, representing approximately 3% of the enlarged registered capital of Weigao Ortho upon completion of the Subscription Agreement.

Completion took place on 12 May 2016. Immediately prior to completion, Weigao Ortho was owned as to 90% by the Group and as to 10% by the Minority Shareholder. Upon completion, the registered capital of Weigao Ortho has been increased from RMB200 million to approximately RMB222 million, and Weigao Ortho was owned as to 81%, 9%, 7% and 3% by the Group, the Minority Shareholder, the First Partnership and the Second Partnership, respectively.

Consideration

The cash consideration for the Subscription of approximately RMB311 million (equivalent to approximately HK\$373.7 million) was determined after arm's length negotiations by Weigao Ortho and the Subscribers having taking into account the financial position of Weigao Ortho. The cash consideration has been fully paid by the Subscribers.

Information on Weigao Ortho

Weigao Ortho is principally engaged in the manufacturing of orthopaedic medical device products. The consolidated financial information of Weigao Ortho and its subsidiaries for two years ended 31 December 2015 was as follows:

	Year ended 31 December 2014 Audited (RMB'000)	Year ended 31 December 2015 Audited (RMB'000)
Net Assets	377,376	648,337
Revenue	601,633	669,687
Net Profit before taxation and extraordinary items	258,496	255,453
Net Profit after taxation and extraordinary items	218,760	214,452

Financial Impact on the Group

Following completion of the Subscription Agreement, the equity interest of the Group in Weigao Ortho has been reduced from 90% to 81% and Weigao Ortho continues to be a subsidiary of the Company. Its financial results continue to be consolidated with the Group's results.

Use of Proceeds

Both the gross proceeds and the net proceeds (after deducting estimated expenses from the issue of the Subscription Shares) from the Subscription is estimated to be approximately RMB311 million. The Group intends to apply the net proceeds of the Subscription as general working capital of Weigao Ortho and to purchase land use right and building from the Company.

Information on the Subscribers

The First Partnership is a limited partnership to hold 15,555,555 Ortho Shares for the benefit of the Management Team. It is principally engaged in sales of the electronic products and research and development of the computer hardware and software.

The Second Partnership is a limited partnership to hold 6,666,667 Ortho Shares for the benefit of Mr. Gong. It is principally engaged in sales of the electronic products.

Information on the Group

The Group is principally engaged in the research and development, production and sale of single-use medical devices, orthopaedic products and blood purification products.

Reasons and Benefits for the Subscription

The Subscription aims to recognise the contribution of and incentivise the members of the Management Team, align their interests with those of Weigao Ortho and encourage them to optimise their performance and efficiency so as to maximise the equity return of the Group.

The Directors (including the independent non-executive Directors but excluding Mr. Gong) consider that the Subscription is on normal commercial terms and in the ordinary and usual course of business of the Group, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Gong is considered to have a material interest in the Subscription by virtue of his interest in the Ortho Shares through the Subscribers. As a result, Mr. Gong has abstained from voting on the board resolutions for approving the Subscription.

Listing Rules Implications

The Subscription constituted a deemed disposal under Chapter 14 of the Listing Rules.

Each of the Subscribers is controlled by Mr. Gong, an executive Director, and a connected person of the Company. The Subscription constituted a connected transaction for the Company for the purpose of the Listing Rules.

As the applicable percentage ratios in respect of the Subscription Agreement and the transactions contemplated thereunder are more than 0.1% but less than 5%, the Subscription is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Company”	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 established in the PRC, the H shares of which are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“First Partnership”	威海弘陽瑞信息技術中心(有限合伙)(Weihai Hongyangrui Information Technology Centre (Limited Partnership)*) a limited partnership registered under the laws of the PRC;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Management Team”	Mr. Gong, Mr. Qiu Guoping, an executive director of Weigao Ortho, Mr. Yang Kui, an executive director of Weigao Ortho, and certain other employees of Weigao Ortho who are not connected persons of the Company;
“Minority Shareholder”	Alltrade Investment Holdings Limited, a limited liability company incorporated in Hong Kong on 1 December 2014;
“Mr. Gong”	Mr. Gong Jianbo, an executive Director and an executive director of Weigao Ortho;
“Ortho Shares”	shares in Weigao Ortho;
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Partnership”	威海永耀貿易中心(有限合夥)(Weihai Glory Trading Centre (Limited Partnership)*), a limited partnership registered under the laws of the PRC;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscribers”	the First Partnership and the Second Partnership;
“Subscription”	the subscription of 15,555,555 Ortho Shares by the First Partnership and the subscription of 6,666,667 Ortho Shares by the Second Partnership;
“Subscription Agreement”	the agreement dated 29 April 2016 entered into between Weigao Ortho and the Subscribers in respect of the Subscription;

“Weigao Ortho”

山東威高骨科材料股份有限公司(Shandong Weigao Orthopaedic Device Company Limited*), a foreign invested joint stock company with limited liability converted under the laws of the PRC on 3 November 2014 and a non-wholly owned subsidiary of the Company as at the date of the Subscription Agreement and the date of this announcement; and

“%”

per cent.

For illustration purpose, amounts in RMB in this announcement have been translated to HK\$ at HK\$1.00 = RMB0.83257.

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

Weihai, Shandong, the PRC, 25 May 2016

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

Mr. Zhang Huawei (*Executive Director*)

Mr. Wang Yi (*Executive Director*)

Mr. Gong Jian Bo (*Executive Director*)

Mr. Xia Lie Bo (*Executive Director*)

Mrs. Zhou Shu Hua (*Non-executive Director*)

Mr. Lo Wai Hung (*Independent non-executive Director*)

Mr. Li Jia Miao (*Independent non-executive Director*)

Mrs. Fu Ming Zhong (*Independent non-executive Director*)

Mrs. Wang Jin Xia (*Independent non-executive Director*)

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