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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 BLOOD**

**DEEMED DISPOSAL OF INTEREST IN WEIGAO BLOOD**

On 23 January 2017, Weigao Blood and the Subscribers entered into the Subscription Agreements. Weigao Blood has agreed to increase its registered capital from RMB120,000,000 to RMB170,240,000. Of the Increased Registered Capital, the First Subscriber has agreed to subscribe for RMB12,920,000 at the subscription price of RMB138,085,472, the Second Subscriber has agreed to subscribe for RMB3,270,000 at the subscription price of RMB34,894,169 and the Third Subscriber has agreed to subscribe for RMB34,050,000 at the subscription price of RMB363,853,727. The aggregate consideration for the Subscription is RMB536,833,368 (equivalent to approximately HK\$607.3 million). Upon completion of the Subscription Agreements, the equity interest of the Company in Weigao Blood will be reduced from 70% to approximately 49.34%.

**LISTING RULES IMPLICATIONS**

The Subscription constitutes a deemed disposal under Chapter 14 of the Listing Rules. As the applicable percentage ratios in respect of the Subscription Agreements and the transactions contemplated thereunder are more than 5% but less than 25%, the Subscription is subject to the announcement requirements under Chapter 14 of the Listing Rules.

\* For identification purpose only

The First Subscriber, Mr. Chen, is the son of Mr. Chen Xue Li. As of the date of this announcement, Mr. Chen Xue Li holds a 61.87% interest in Weigao Medical International which, in turn, holds a 89.83% interest in Weigao Holding. Mr. Chen Xue Li also directly holds a 5.79% interest in Weigao Holding. Therefore, through his direct interest and through Weigao Medical International, Mr. Chen Xue Li holds a 61.37% interest in Weigao Holding. As Weigao Holding holds 47.76% of the issued share capital of the Company as of the date of this announcement, Mr. Chen Xue Li indirectly holds approximately 29.3% of the issued share capital of the Company and is the single largest shareholder of the Company as of the date of this announcement. The Second Subscriber, Mr. Xia, is an executive Director. The First Subscriber and the Second Subscriber are hence connected persons of the Company at the issuer level. The Subscription with respect to each of the First Subscriber and the Second Subscriber constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of each of the First Subscriber's Subscription Agreement and the Second Subscriber's Subscription Agreement and the transactions contemplated thereunder with respect to each of the First Subscriber and the Second Subscriber are more than 0.1% but less than 5%, the Subscription with respect to each of the First Subscriber and the Second Subscriber is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEEMED DISPOSAL**

### **The Subscription Agreements**

**Date:** 23 January 2017

**Parties:**

(1) The First Subscriber's Subscription Agreement:

- Weigao Blood; and
- the First Subscriber.

(2) The Second Subscriber's Subscription Agreement:

- Weigao Blood; and
- the Second Subscriber.

(3) The Third Subscriber's Subscription Agreement:

- Weigao Blood; and
- the Third Subscriber.

**Assets to be disposed**

Weigao Blood agreed to increase its registered capital from RMB120,000,000 to RMB170,240,000. Of the Increased Registered Capital:

- (1) The First Subscriber agreed to subscribe for RMB12,920,000, representing approximately 7.59% of the enlarged registered capital of Weigao Blood upon completion of the Subscription Agreements, at the subscription price of RMB138,085,472;
- (2) The Second Subscriber agreed to subscribe for RMB3,270,000, representing approximately 1.92% of the enlarged registered capital of Weigao Blood upon completion of the Subscription Agreements, at the subscription price of RMB34,894,169; and
- (3) The Third Subscriber agreed to subscribe for RMB34,050,000, representing approximately 20% of the enlarged registered capital of Weigao Blood upon completion of the Subscription Agreements, at the subscription price of RMB363,853,727.

Completion is expected to take place within six months from the date of the Subscription Agreements or on a date to be agreed by the parties concerned. Immediately prior to completion, Weigao Blood was owned as to 70% by the Group, as to 21.5% by the Minority Shareholder, as to 2% by the First Subscriber and as to 6.5% by the Second Subscriber. Upon completion, the registered capital of Weigao Blood will be increased from RMB120,000,000 to RMB170,240,000, and Weigao Blood will be owned as to 49.34%, 15.16%, 9%, 6.5% and 20% by the Group, the Minority Shareholder, the First Subscriber, the Second Subscriber and the Third Subscriber respectively.

## Consideration

The aggregate cash consideration for the Subscription of RMB536,833,368 (equivalent to approximately HK\$607.3 million) was determined based on the appraised value of Weigao Blood of RMB1,282,435,268 as at 1 January 2017 provided by the Valuer. The cash consideration will be settled within six months from the date of the Subscription Agreements or on a date to be agreed by the parties concerned.

## Information on Weigao Blood

Weigao Blood is principally engaged in the manufacture and sale of a range of dialysers, dialysis machines and related disposable products and the provision of dialysis care and related services. The consolidated financial information of Weigao Blood and its subsidiaries for two years ended 31 December 2015 was follows:–

	<b>Year ended 31 December 2014 Audited RMB'000</b>	<b>Year ended 31 December 2015 Audited RMB'000</b>
Net Assets	115,127	223,170
Revenue	734,962	926,314
Net profit before taxation and extraordinary items	36,752	57,728
Net profit after taxation and extraordinary items	33,849	48,043

## Financial Impact on the Group

Following completion of the Subscription Agreements, the equity interest of the Group in Weigao Blood will be reduced from 70% to 49.34% and Weigao Blood will cease to be a subsidiary of the Company. Its financial results will not be consolidated with the Group's results. The gain on the disposal of approximately RMB669.5 million (equivalent to approximately HK\$757.4 million), being the Company's 70% share in the appreciation of the value of Weigao Blood that is determined based on the appraised value of Weigao Blood amounting to RMB1,282,435,268 minus the carrying amount of approximately RMB325.9 million in the accounts of Weigao Blood as at 31 December 2016, is expected to be recognised in the consolidated income statements of the Company.

## **Use of Proceeds**

Both the gross proceeds and the net proceeds (after deducting estimated expenses for the Increased Registered Capital) from the Subscription is estimated to be approximately RMB536,833,368. Weigao Blood intends to apply the net proceeds of the Subscription as general working capital.

## **Information on the Subscribers**

The First Subscriber, Mr. Chen, is the son of Mr. Chen Xue Li, the single largest shareholder of the Company indirectly holding approximately 29.3% of the issued share capital of the Company as of the date of this announcement. Mr. Chen also indirectly holds approximately 3.4% of the issued share capital of the Company as of the date of this announcement. Mr. Chen is also a director of Weigao Blood.

The Second Subscriber, Mr. Xia, is an executive Director and a director of Weigao Blood.

The Third Subscriber is a limited partnership for the benefit of the Management Team.

## **Information of 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.

## **Reason and Benefit for the Subscription**

The reason of the Subscription is two-fold: enhance the shareholder base and shareholding structure of Weigao Blood and recognise the contribution of and incentivize the First Subscriber and the Second Subscriber and the members of the Management Team, align their interests with those of Weigao Blood and encourage them to optimise their performance and efficiency so as to maximise the equity return of the Group and enable Weigao Blood to retain and recruit employees in a highly competitive dialysis market in the PRC.

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

Mr. Xia as the Second Subscriber is considered to have a material interest in the Subscription. As a result, Mr. Xia has abstained from voting on the board resolutions for approving the Subscription.

### **Listing Rules Implications**

The Subscription constitutes a deemed disposal under Chapter 14 of the Listing Rules. As the applicable percentage ratios in respect of the Subscription Agreements and the transactions contemplated thereunder are more than 5% but less than 25%, the Subscription is subject to the announcement requirements under Chapter 14 of the Listing Rules.

The First Subscriber, Mr. Chen, is the son of Mr. Chen Xue Li. As of the date of this announcement, Mr. Chen Xue Li holds a 61.87% interest in Weigao Medical International which, in turn, holds a 89.83% interest in Weigao Holding. Mr. Chen Xue Li also directly holds a 5.79% interest in Weigao Holding. Therefore, through his direct interest and through Weigao Medical International, Mr. Chen Xue Li holds a 61.37% interest in Weigao Holding. As Weigao Holding holds 47.76% of the issued share capital of the Company as of the date of this announcement, Mr. Chen Xue Li indirectly holds approximately 29.3% of the issued share capital of the Company and is the single largest shareholder of the Company as of the date of this announcement. The Second Subscriber, Mr. Xia, is an executive Director. The First Subscriber and the Second Subscriber are hence connected persons of the Company at the issuer level. The Subscription with respect to each of the First Subscriber and the Second Subscriber constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the First Subscriber's Subscription Agreement and the Second Subscriber's Subscription Agreement and the transactions contemplated thereunder with respect to each of the First Subscriber and the Second Subscriber are more than 0.1% but less than 5%, the Subscription with respect to each of the First Subscriber and the Second Subscriber 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 Subscriber”	Mr. Chen;
“First Subscriber’s Subscription Agreement”	the agreement dated 23 January 2017 entered into between Weigao Blood and the First Subscriber in respect of the subscription by the First Subscriber of a portion of the Increased Registered Capital, which is in the amount of RMB12,920,000;
“Group”	the Company and its subsidiaries;
“Increased Registered Capital”	the increase in the registered capital of Weigao Blood in an aggregate amount of RMB50,240,000 (equivalent to approximately HK\$56.8 million) to be subscribed for by the Subscribers under the Subscription Agreements;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Management Team”	certain employees of Weigao Blood who are not connected persons of the Company;
“Mr. Chen”	Mr. Chen Lin (陳林), the son of Mr. Chen Xue Li. Mr. Chen indirectly holds approximately 3.4% of the issued share capital of the Company as of the date of this announcement. Mr. Chen is also a director of Weigao Blood;
“Mr. Chen Xue Li”	Mr. Chen Xue Li (陳學利), the single largest shareholder of the Company indirectly holding approximately 29.3% of the issued share capital of the Company as of the date of this announcement;
“Mr. Xia”	Mr. Xia Lie Bo (夏列波), an executive Director and a director of Weigao Blood;
“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 Subscriber”	Mr. Xia;
“Second Subscriber’s Subscription Agreement”	the agreement dated 23 January 2017 entered into between Weigao Blood and the Second Subscriber in respect of the subscription by the Second Subscriber of a portion of the Increased Registered Capital, which is in the amount of RMB3,270,000;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;



“Subscribers”	the First Subscriber, the Second Subscriber and the Third Subscriber;
“Subscription”	the subscription for the Increased Registered Capital by the Subscribers;
“Subscription Agreements”	the First Subscriber’s Subscription Agreement, the Second Subscriber’s Subscription Agreement and the Third Subscriber’s Subscription Agreement;
“Third Subscriber”	威海凱德信息技術中心（有限合夥）(Weihai Kaide Information Technology Centre (Limited Partnership)*), a limited partnership registered under the laws of the PRC;
“Third Subscriber’s Subscription Agreement”	the agreement dated 23 January 2017 entered into between Weigao Blood and the Third Subscriber in respect of the subscription by the Third Subscriber of a portion of the Increased Registered Capital, which is in the amount of RMB34,050,000;
“Valuer”	a valuer which is independent from the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement;
“Weigao Blood”	威海威高血液淨化製品有限公司 (Weihai Weigao Blood Purification Products Company Limited*), a company with limited liability and a non-wholly owned subsidiary of the Company as at the date of the Subscription Agreements and the date of this announcement;

\* For identification purpose only

“Weigao Holding”	威高集團有限公司 (Weigao Holding Company Limited*), a company with limited liability and one of our controlling shareholders as at the date of the Subscription Agreements and the date of this announcement;
“Weigao Medical International”	威海威高國際醫療投資控股有限公司 (Weihai Weigao International Medical Investment Holding Company Limited*), a company with limited liability and one of our controlling shareholders as at the date of the Subscription Agreements and the date of this announcement;
“%”	per cent.

*For illustration purpose amount in RMB in this announcement have been translated to HK\$ at HK\$1.00 = RMB0.88391.*

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

Weihai, Shandong, the PRC, 23 January 2017

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

Mr. Zhang Hua Wei (*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*)

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

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