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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)

EXEMPT CONNECTED TRANSACTIONS

(1) DISPOSAL OF FINANCIAL ASSET (2) NOVATION OF CONTRACTS

On 29 December 2020 (after trading hours), the Company and the Subsidiary entered into the Agreements with Weigao Holding in relation to the Disposal and the Novation.

The Disposal and the Novation constitute connected transactions for the Company for the purpose of the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposal and the Novation, when aggregated, exceeds 0.1% but is below 5%, the Disposal and the Novation constitute exempt connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements.

On 29 December 2020 (after trading hours), the Company and the Subsidiary entered into the Agreements with Weigao Holding in relation to the Disposal and the Novation.

(1) The Disposal

The principal terms of the Transfer Agreement are set out below.

Subject matter

The Subsidiary agreed to sell, and Weigao Holding agreed to purchase, the Notes.

The Notes

As at the date of the Transfer Agreement, the outstanding principal amount of the Notes is US\$40,084,016.

The Notes is non-interest bearing convertible notes convertible into 85% of the fully-diluted common stock of NeuroVasc on 31 December 2022. The Notes is secured by the Security.

Consideration

The consideration for the Disposal is US\$46,943,299, which will be payable upon completion of the relevant regulatory registration requirements for the investment in the Notes by Weigao Holding, which shall be prior to 30 April 2021.

(2) The Novation

(i) The novation of the Contracts

The principal terms of the First Novation Agreement are set out below.

Subject matter

The Company and Weigao Holding agreed to the novation of the Contracts at a consideration of US\$17,920,633, which will be payable by Weigao Holding before 31 January 2021. Upon completion of the Novation, all the liability and benefits of the Contracts will be transferred to Weigao Holding.

The Contracts

(i) The First Contract

Under the First Contract, the Company has commissioned NeuroVasc for the design, research and development of intermediate catheter used for stent retriever for a consideration of US\$8.5 million.

(ii) The Second Contract

Under the Second Contract, the Company has commissioned NeuroVasc for the design, research and development of Gen II flow protector used for stent retriever for a consideration of US\$11.9 million.

(iii) The Third Contract

Under the Third Contract, the Company has commissioned NeuroVasc for the design, research and development of micro catheter used for stent retriever for a consideration of US\$13.6 million.

As at the date of this announcement, an aggregate of US\$16,171,250 of commission amount has been paid under the Contracts, an aggregate of US\$17,828,750 of commission amount under the Contracts remains outstanding.

(ii) The Novation of the Security

As part of the Disposal, the Subsidiary and Weigao Holding agreed to the novation of the Security under the Second Novation Agreement.

The Security was originally granted by NeuroVasc to the Subsidiary in connection with the subscription of the Notes by the Subsidiary for the purpose of securing the performance obligations of NeuroVasc under the Notes.

FINANCIAL EFFECT OF THE DISPOSAL AND THE NOVATION

The Notes was originally acquired by the Subsidiary in February 2019 at a consideration of US\$40,084,016. It has been accounted as financial assets at fair value through profit and loss under non-current assets of the Company.

Upon completion of the Disposal and the Novation, the Company expects to record a gain of approximately US\$7,887,847.

INFORMATION OF NEUROVASC

NeuroVasc is a company that focuses on building the next generation of stroke treatment devices with a focus on novel catheter-based technologies to treat neurovascular disease.

Mr Ma Jianlu is its ultimate owner. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Mr Ma Jianlu is an independent third party not connected with the Company. The financial information of NeuroVasc is set out below.

	Year ended 31 December	
	2019	2018
Revenue	–	–
Loss before benefit from income taxes	(6,771,446)	(3,107,396)
Net loss	(5,145,443)	(3,107,396)

As at 31 December 2019, the consolidated net asset value of NeuroVasc was approximately US\$(38,731,319).

INFORMATION ON THE PARTIES

(1) The Group and the Subsidiary

The Group is a total- solution provider in the medical device sector in the PRC and is principally engaged in the research and development, production and sale of single-use medical devices. The Group has a wide range of products, which includes: infusion sets, syringes, needles, orthopaedic products, interventional products, pharma packaging products, blood management products and is also engaged in financial leasing and factoring businesses in the PRC.

(2) 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.

REASONS AND BENEFITS

The board of the Company considers that principal products of NeuroVasc are not within the major product categories of the Group. The Novation will relieve the Group from further capital contributions under the Contracts. The proceeds from the Disposal and the Novation can be applied towards funding the principal businesses of the Group. Investment in NeuroVasc was made in mid 2019 as the Company was optimistic about their brain thrombectomy stent business. As part of the ongoing review and refinement of the Group's business product offerings and taking into account the time frame required for obtaining the relevant licenses for the R&D products by NeuroVasc, the Company decided to divest its investment.

The consideration for the Disposal was determined with reference to an approximately 10% return on the original acquisition cost of the Notes. The consideration for the Novation was determined with reference to an approximately 10% return on the actual amount paid by the Subsidiary under the Contracts.

The directors of the Company (including the independent non-executive directors but excluding Mr. Zhang Hua Wei, Mr. Wang Yi and Mr. Long Jing) consider that the terms of the Agreements (including the consideration) are normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Zhang Hua Wei, Mr. Wang Yi and Mr. Long Jing are also directors of Weigao Holding. They have abstained from voting in the relevant resolutions of the board meeting of the Company in approving the Disposal and the Novation.

LISTING RULES IMPLICATIONS

Weigao Holding holds 46.43% of the issued share capital of the Company as at the date of the Transfer Agreement. It is a connected person of the Company.

The Disposal and the Novation constitute connected transactions for the Company for the purpose of the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposal and the Novation, when aggregated, exceeds 0.1% but is below 5%, the Disposal and the Novation constitute exempt connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements.

DEFINITIONS

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

“Agreements”	the agreements in relation to the Disposal and the Novation, including the First Novation Agreement, the Second Novation Agreement and the Transfer Agreement
“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
“Contracts”	the First Contract, the Second Contract and the Third Contract
“Disposal”	the disposal of the Notes under the Transfer Agreement
“First Contract”	the agreement dated 12 July 2019 entered into between NeuroVasc and the Company in relation to the design, research and development of intermediate catheter used for stent retriever
“First Novation Agreement”	the agreement dated 29 December 2020 entered into between Weigao Holding, the Company and NeuroVasc in relation to the novation of the Contracts

“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NeuroVasc”	NeuroVasc Technologies Inc., a Delaware corporation
“Notes”	secured convertible promissory notes of NeuroVasc
“Novation”	the novation of the Contracts and the Security to Weigao Holding
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Second Contract”	the agreement dated 12 July 2019 entered into between NeuroVasc and the Company in relation to the design, research and development of Gen II flow protector used for stent retriever
“Second Novation Agreement”	the agreement dated 29 December 2020 entered into between Weigao Holding and the Subsidiary in relation to the novation of the Security
“Security”	a first charge on all the intellectual property interest of NeuroVasc, which is the security granted by NeuroVasc to Weigao International for the performance of its obligations under the Notes
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Weigao International Medical Co. Limited, a company incorporated in Hong Kong with limited liability

“Third Contract”	the agreement dated 12 July 2019 entered into between NeuroVasc and the Company in relation to the design, research and development of micro catheter used for stent retriever
“Transfer Agreement”	the agreement dated 29 December 2020 entered into between the Subsidiary and Weigao Holding in relation to the Disposal
“US\$”	United States dollar, the lawful currency of the United States of America
“Weigao Holding”	威高集團有限公司 (Weigao Holding Company Limited*), a company with limited liability and the controlling shareholder of the Company as at the date of this announcement
“%”	per cent.

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

* *For identification purpose only*

Weihai, Shandong, the PRC, 29 December 2020

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

Mr. Zhang Hua Wei (*Executive Director*)

Mr. Long Jing (*Executive Director*)

Mr. Wang Yi (*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*)