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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

ACQUISITION OF WEGO HEALTHCARE FUND HOLDING CORPORATION AND GRANTING OF CALL OPTION TO WEIGAO HOLDING

On 29 December 2020 (after trading hours), the Subsidiary entered into the Agreement with Weigao Holding in relation to the Acquisition.

The Acquisition constitutes a connected transaction for the Company for the purpose of the Listing Rules.

The Subsidiary has granted Weigao Holding the Call Option such that Weigao Holding or an entity nominated by Weigao Holding may acquire the Target's 19.8% interest in the Fund at a consideration of RMB30,000,000.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is below 5%, the Acquisition constitutes an exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements.

* *For identification purpose only*

As the exercise of the Call Option is not at the Company's discretion, the grant of the Call Option will be classified as if it had been exercised under Rule 14.74 of the Listing Rules. As the highest applicable percentage ratio in respect of the Call Option exceeds 0.1% but is below 5%, the grant of the Call Option constitutes an exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements.

THE AGREEMENT

On 29 December 2020 (after trading hours), the Subsidiary entered into the Agreement with Weigao Holding in relation to the Acquisition. The principal terms of the Agreement are set out below.

Subject matter

The Subsidiary agreed to acquire, and Weigao Holding agreed to sell, the Target Shares.

The Target Shares represent the entire issued capital of the Target as at the date of the Agreement and upon completion of the Acquisition.

Consideration

The consideration for the Acquisition is RMB1.23 billion, which will be paid in two instalments.

The first instalment in the amount of RMB0.6 billion shall be paid no later than 31 January 2021. The second instalment in the amount of RMB0.63 billion shall be paid no later than 30 April 2021. The consideration will be funded from the internal resources of the Group.

Conditions precedent

Completion of the Acquisition is conditional upon satisfaction or waiver by the Subsidiary of all the following conditions.

- (i) Weigao Holding having obtained all necessary consents and authorization for the performance of its obligations under the Agreement from the relevant regulatory authorities;
- (ii) the Subsidiary having completed satisfactory due diligence (including legal, financial, operational due diligence) of the Target;
- (iii) the guarantee of Weigao Holding remains true and accurate in all material respects from the date of the Agreement to the date of completion of the Acquisition; and
- (iv) there is no material adverse change to the Target prior to completion.

If the conditions precedent cannot be satisfied by 31 January 2021, the Agreement will terminate.

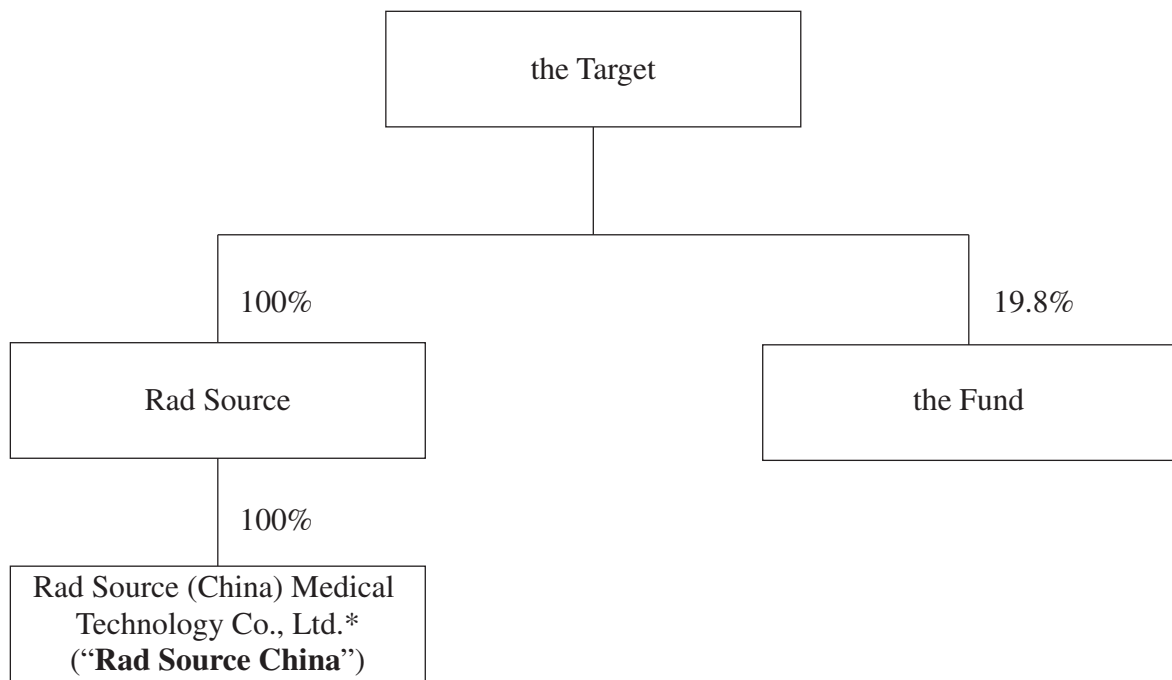
Call option

The Subsidiary has granted Weigao Holding a call option such that Weigao Holding or an entity nominated by Weigao Holding may acquire the Target's 19.8% interest in the Fund at a consideration of RMB30,000,000 (the "**Call Option**"). The Call Option is exercisable on or before the first anniversary of the date of the Agreement unless mutually agreed to extend.

INFORMATION ON THE TARGET

The Target was incorporated in the state of Florida in the US on 15 November 2016. It is an investment holding company.

The principal assets of the Target are (i) 100% interest in Rad Source; and (ii) 19.8% interest in Weihai Shangyuan Phase I Venture Capital Partnership (Limited Partnership)* (威海尚元壹期創業投資合夥企業(有限合夥))(the “**Fund**”). The group structure of the Target is set out below.



Rad Source was founded in 1997 for the purpose of creating non-gamma irradiation alternatives. It manufactures proprietary X-ray based irradiation machines. Its equipment resides in major pharmaceutical labs, healthcare institutions and renowned universities around the world. It is based in Buford, Georgia, USA.

Blood transfusion is a lifesaving procedure for people who are bleeding and people who cannot make sufficient amount of blood on their own. A rare but almost always fatal complication from blood transfusion is transfusion-associated graft-versus-host disease (TA-GVHD), where immune cells from the donor blood attack the recipient's organs and cause a deadly infection that is nearly impossible to cure.

Over 20 years ago, Rad Source pioneered the first-ever FDA-approved blood x-ray irradiation medical device used to prevent TA-GVHD, and it has maintained its status as the industry leader and gold-standard in blood irradiation technology and instrumentation ever since. Its patented x-ray irradiation technology effectively and routinely inactivates the immune cells in donor blood, which diminishes the risk of developing TA-GVHD for the transfusion recipient.

Rad Source's x-ray irradiation technology is validated and widely used to configure the immune systems of laboratory animals so they can be used in both cancer research and research on the immune system.

Since being acquired by Weigao Holding, Weigao Holding assisted Rad Source to establish Rad Source China in April 2019 and obtained import registration license for the blood irradiator. This has allowed Rad Source to immediately access the vast untapped China market and taking first mover advantage. With the experience in patent registration, Weigao Holding assisted Rad Source in registering the Rad Source patents in China to protect its intellectual properties. In addition, Weigao Holding also assisted Rad Source China to establish a manufacturing base meeting the required standards in Weihai, China and to obtain the required production licenses in a timely manner. With the knowledge of market requirements, Weigao Holding advised Rad Source to redesign the blood irradiator and small animal irradiator to adapt to the China market. Production has begun for the blood irradiators and small animal irradiators. With Weigao Holding involved in setting strategy and marketing efforts, orders have been secured for the blood irradiator and the small animal irradiator for delivery in 2020 in China. It is expected the orders for the blood irradiators will increase significantly in 2021 and beyond.

It is intended for Rad Source China's Weihai base to be the production base for the global market for Rad Source. It will significantly increase Rad Source's production capacity and cost efficiency. Rad Source will be even more competitive in the world market. Rad Source China will provide technical support and after sales services in China and the surrounding regions. It is expected that Rad Source China will be a key profit driver for Rad Source.

The Fund is held as to 19.8% by the Target and as to 1% by an associate of Weigao Holding, the remaining 79.2% is held by independent third parties who are not connected persons of the Company. The general partner of the Fund is Weihai Shangyuan Equity Investment Management Co., Ltd.* (威海尚元股權投資管理有限公司). It is principally engaged in early stage investments of medical equipment, medical services, and pension industries. An associate of Weigao Holding is interested in 30 % of the general partner, the remaining 70% are held by three independent third parties who are not connected persons of the Company.

Weigao Holding acquired the Target on 18 December 2018 at a consideration of approximately RMB423 million.

The financial information of the Target for the two years ended 31 December 2019 and the ten months ended 31 October 2020 is set out below:

	For the year ended		For the
	31 December		ten months
	2018	2019	ended
	<i>US\$(000)</i>	<i>US\$(000)</i>	31 October
			2020
			<i>US\$(000)</i>
Revenue	24,746	31,028	31,970
Profit before taxation	9,050	9,347	8,674
Profit after taxation	7,214	7,565	6,418

As at 31 October 2020, the consolidated net asset value of the Target was approximately US\$48,837,000.

The financial information of Rad Source for the two years ended 31 December 2019 and the ten months ended 31 October 2020 is set out below:

	For the year ended 31 December		For the ten months ended 31 October 2020
	2018	2019	
	<i>US\$(000)</i>	<i>US\$(000)</i>	<i>US\$(000)</i>
Revenue	24,746	31,028	31,970
Profit before taxation	9,220	9,348	8,674
Profit after taxation	7,383	7,566	6,418

The increase in profit before taxation at 1.4% was lower than the increase in revenue at 25.4% from the year ended 31 December 2018 to 31 December 2019 was due to the increase in sales personnel during 2019 in preparation for the increase in sales in coming years.

As at 31 October 2020, the unaudited consolidated net asset value of Rad Source was approximately US\$26,743,000.

Upon completion of the Agreement, the Target will become wholly owned by the Subsidiary. It will become a subsidiary of the Company and its financial results will be consolidated by the Company.

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.

The Subsidiary is principally engaged in the operations of and investments in blood transfusion related consumables and equipment.

(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 Group has a wide customer base of blood stations in the PRC selling blood collection tubes and blood machines for separation and sterilisation generating sales of RMB457.8 million for the year ended 31 December 2019.

The board of the Company considers that the Acquisition will allow the Group to gain access to leading technology in blood x-ray irradiation technology and sell Rad Source products to its existing customer base in blood stations.

The consideration for the transfer of the Target was determined after arm's length negotiation between the parties to the Agreement with reference to (i) historical financial performance and growth potential of Rad Source; (ii) synergy with the current blood management business of the Group; (iii) leading edge technologies by Rad Source and (iv) the future prospect of Rad Source and Rad Source China. The consideration for the Call Option represents the initial investment cost of the Target into the Fund.

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 Agreement and the Call Option (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 Acquisition and the Call Option.

LISTING RULES IMPLICATIONS

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

The Acquisition and the grant of the Call Option constitute connected transactions for the Company for the purpose of the Listing Rules.

(i) The Acquisition

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is below 5%, the Acquisition constitutes an exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements.

(ii) The Call Option

As the exercise of the Call Option is not at the Company's discretion, the grant of the Call Option will be classified as if it had been exercised under Rule 14.74 of the Listing Rules. As the highest applicable percentage ratio in respect of the Call Option exceeds 0.1% but is below 5%, the grant of the Call Option constitutes an exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is 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:

“Acquisition”	the acquisition of the Target Shares by the Subsidiary from Weigao Holding
“Agreement”	the agreement dated 29 December 2020 entered into between Weigao Holding and the Subsidiary in relation to the Acquisition

“Call Option”	has the meaning ascribed to it under the section headed “Call option” of this announcement
“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
“Fund”	has the meaning ascribed to it under the section headed “INFORMATION ON THE TARGET” of this announcement
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Rad Source”	Rad Source Technologies, Inc, a company incorporated in the state of Georgia in the U.S.
“Rad Source China”	拉德索斯(中國)醫療科技有限公司 (Rad Source (China) Medical Technology Company Limited) established in the PRC on 19 April 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Subsidiary”	Weihai Weigao Shengrui Health Technology Co., Ltd. * (威海威高晟瑞健康科技有限公司, a company established in the PRC with limited liability
“Target”	Wego Healthcare Fund Holding Corporation, a company incorporated in the state of Florida in the U.S. with limited liability

“Target Shares”	1,000 ordinary shares of the Target, representing 100% of the issued and paid up capital of the Target as at the date of the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	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 of:

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*)