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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)

**CONNECTED TRANSACTION
EQUITY TRANSFER OF 100% IN WEIGAO NEW LIFE TO
WEIGAO ORTHO**

On 3 January 2023, Shandong Weigao Orthopedic Materials Company Limited (“**Weigao Ortho**”), a subsidiary of the Company, entered into the equity transfer agreement (“**Equity Transfer Agreement**”), with Weigao Biotechnology, Weigao Fusen, Weigao Imaging, Weigao Qiquan (collectively the “**Vendors**”) and Weigao New Life (the “**Target**”), pursuant to which Weigao Ortho agreed to acquire, and the Vendors agreed to transfer to Weigao Ortho their respective equity interests for a total of 100% in the Target. As at the date of this announcement, Weihai Weigao International Medical Investment Holding Company Limited (“**Weihai Weigao International**”) holds approximately 89.83% equity interest in Weigao Holding Company Limited (“**Weigao Holding**”), which is a substantial shareholder holds approximately 45.94% equity interest in the Company. The Target is an indirect wholly owned subsidiary of Weihai Weigao International, thus a connected person of the Company. Accordingly, the entering of the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Weigao Ortho will settle the consideration of RMB1,030 million (equivalent to approximately HK\$1,168 million) in cash. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Equity Transfer Agreement exceeds 0.1% but is below 5%, the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but is exempted from the circular and independent shareholders’ approval requirements.

* For identification purpose only

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date: 3 January 2023

Parties:

the Vendors: (1) Weigao Biotechnology (holding 48% of equity interest in the Target)
(2) Weigao Fusen (holding 40% of equity interest in the Target)
(3) Weigao Imaging (holding 8% of equity interest in the Target)
(4) Weigao Qiquan (holding 4% of equity interest in the Target)

the Buyer: Weigao Ortho

Assets to be acquired:

The Target assets, details of which are set out in the section headed “Information on the Target” of this announcement.

Transfer Consideration:

The consideration for the Equity Transfer Agreement is RMB1,030 million (equivalent to approximately HK\$1,168 million), which was arrived at after arm’s length negotiations between the Vendors and the Buyer with reference to the valuation report of the Target prepared by an independent valuer as at 31 October 2022, using the asset based approach and earning approach.

Payment terms:

The consideration of RMB1,030 million (equivalent to approximately HK\$1,168 million) will be settled in five installments: the first installment is 60% of the consideration, or RMB618 million; the second installment is 10% of the consideration, or RMB103 million; the third installment is 10% of the consideration, that is, RMB103 million; the fourth installment of the consideration is 10%, that is, RMB103 million; the fifth installment is 10% of the consideration, or RMB103 million upon satisfaction of conditions which are set out in the section headed “Undertaking by the Vendors”. The Consideration will be funded by internal resources of Weigao Ortho.

Completion date:

30 April 2026, being the expected date on which the Target assets are transferred from the Vendors to the Buyer as stipulated under the Equity Transfer Agreement, subject to fulfilment of conditions.

UNDERTAKING BY THE VENDORS

The Vendors undertake to the Buyer that if the actual accumulated net profit is below the guaranteed accumulated net profit, it is considered that the Vendors have not fulfilled the conditions of the Equity Transfer Agreement, and the Vendors should compensate Weigao Ortho in cash. The guaranteed profit was determined by the Vendors and the Company after arm's length negotiation with reference to the current operation status of the Target operation and the expected growth of the business undertaken by the Target.

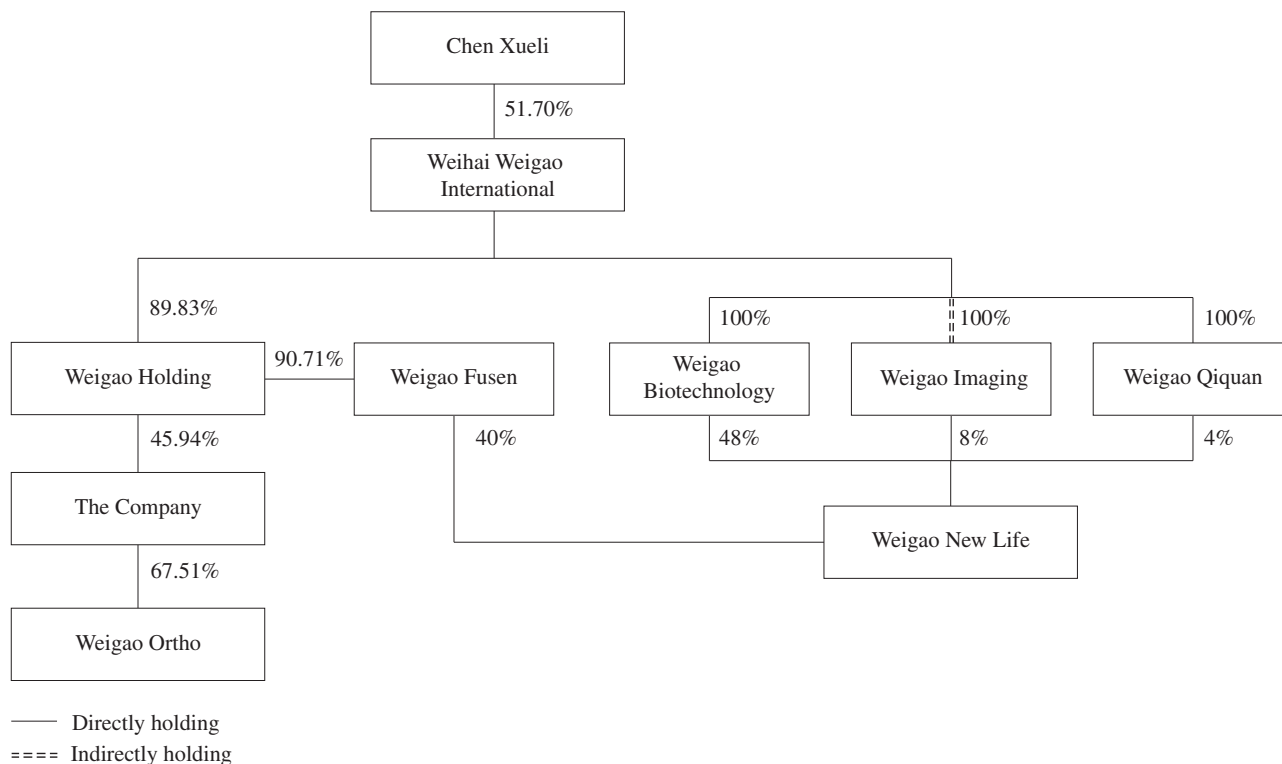
Amount to be compensated = (accumulated amount of guaranteed net profit – accumulated amount of actual net profit) ÷ accumulated amount of guaranteed net profit × Consideration

INFORMATION ON THE TARGET

The Target is an indirectly wholly owned subsidiary of Weigao Holding and is incorporated in the People's Republic of China on 8 April 2008. It is principally engaged in the research and development, manufacturing and sales of tissue repair product line. The principal products include:–

- (1) Platelet-rich Plasma (PRP) Preparation Kits – applied on wound repair and orthopedics (joints, trauma, hand and foot surgery, spine, sports medicine), burns, stomatology, maxillofacial surgery. It can greatly shorten the treatment cycle, reduce the hospitalization cost of patients, and improve the quality of life.
- (2) Closed Trauma Negative Pressure Drainage Set – the product uses medical sponge (PVA or PU material) as the intermediary between the negative pressure drainage tube and the wound, and uses a biological semipermeable membrane to seal the wound, forming a closed drainage system under negative pressure. It can effectively absorb the exudate from the wound surface in time to ensure fast wound healing, low infection rate, less frequency of dressing changes, less use of antibacterial drugs, and reduced medical expenses. The product is suitable for acute and chronic wounds, infected wounds, chronic ulcers and bedsores caused by diabetic foot and vascular lesions, burn wounds, adjuvant treatment for skin grafting and flap transplantation.

The group structure of the Target before the completion of the Equity Transfer Agreement is set out below:–

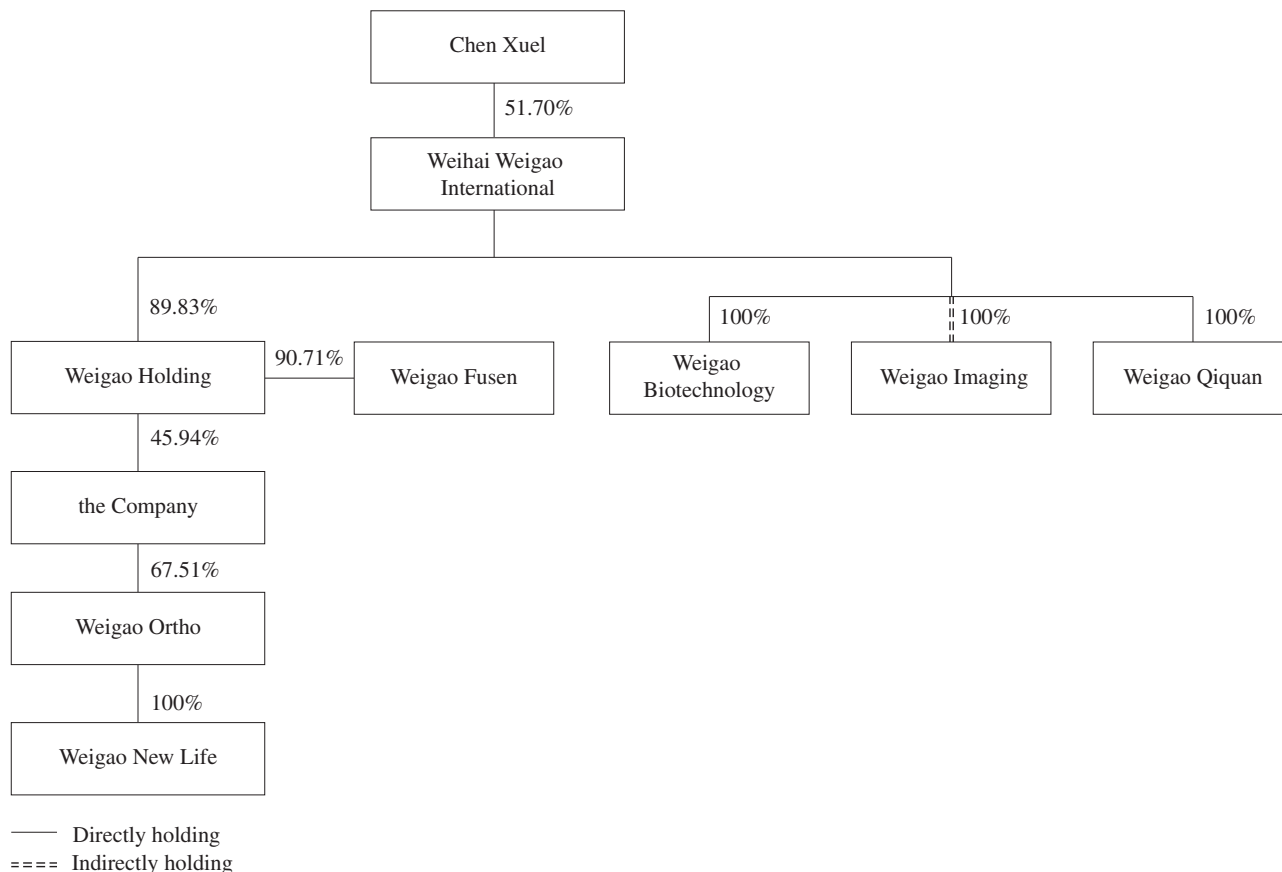


Note: The Company directly and indirectly holds an aggregate of 72.2% of Weigao Ortho

The unaudited consolidated financial information of the Target for the two years ended 31 December 2021 and the ten months ended 31 October 2022 is set out below:

	For the ten months ended 31 October 2022	For the year ended 31 December 2021	For the year ended 31 December 2020
<i>RMB '000</i>			
Revenue	171,754	177,135.4	142,262
Profit before taxation	53,887	35,691	55,429
Profit after taxation	45,713	44,665	30,671
Total asset	243,114	179,812	143,406
Net asset value	124,824	79,113	34,669

Upon completion of the Equity Transfer Agreement, the Target will become a wholly owned by Weigao Ortho and will become an indirectly subsidiary of the Company and its financial results will be consolidated by the Company. The group structure of the Target after the completion of Equity Transfer Agreement is set out below:



Note: The Company directly and indirectly holds an aggregate of 72.2% of Weigao Ortho

INFORMATION ON THE PARTIES

(1) The Company

The Company 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.

(3) Weigao Biotechnology

Weigao Biotechnology is principally engaged in production and sales of Class I, II, and III medical devices and drugs; production and sales of sample management systems; technology development, technical consultation, technology promotion, technology transfer and technical service of medical devices and biotechnology services; sales of packaging materials, plastic products, chemical raw materials and products.

(4) Weigao Fusen

Weigao Fusen is principally engaged in production and sales of Class I, II, and III medical devices, packaging materials, molds, metal products, and plastic products; import and export of general goods and technologies.

(5) Weigao Imaging

Weigao Imaging is principally engaged in research and development, production, and sales of Class I, II, and III medical devices, gas disinfection and sterilization equipment.

(6) Weigao Qiquan

Weigao Qiquan is principally engaged in research and development, production, sales, leasing, and maintenance of medical devices, plastic products, medical equipment, facilities and their accessories, instruments and meters, and electronic products; production and sales of disinfection and sterilization equipment and appliances, packaging materials.

REASONS AND BENEFITS

Weigao Ortho is the top domestic orthopedic manufacturer in the PRC and acquisition of the Target with principal business which is the production and sales of platelet-rich plasma (PRP) preparation kits and Closed trauma negative pressure drainage set, which could further enhance Weigao Ortho to increase the product range to her existing customer base to generate stable and sustainable revenue growth. The acquisition of the Target could reduce the transactions volume of the continuing connected transactions of platelet-rich plasma (PRP) preparation kits and Closed trauma negative pressure drainage set between the Group and Weigao Holding.

BOARD APPROVAL

Mr. Chen Xueli is the ultimate beneficial owner of Weihai Weigao International Medical Investment Holding Company Limited (“**Weihai Weigao International**”) which holds 89.83% of Weigao Holding. Mr. Long Jing, Mr. Tang Zhenpeng and Mr. Chen Lin are also directors of Weihai Weigao International. They have abstained from voting in the relevant resolutions of the board meeting of the Company dated 30 December 2022 in approving the Equity Transfer Agreement. Save as disclosed above, no Director has a material interest in the Equity Transfer Agreement or has abstained from voting on the relevant board resolution approving the Equity Transfer Agreement. The directors of the Company (including the independent non-executive directors but excluding Mr. Long Jing, Mr. Tang Zhenpeng and Mr. Chen Lin) consider that the terms of the Equity Transfer Agreement (including the Consideration) are normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Weihai Weigao International holds approximately 89.83% equity interest in Weigao Holding, which is a substantial shareholder holds approximately 45.94% equity interest in the Company, and is a connected person of the Company. The Equity Transfer Agreement constitutes a connected transaction for the Company for the purpose of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Equity Transfer Agreement exceeds 0.1% but is below 5%, the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but is exempted from the circular and independent shareholders’ approval requirements.

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
“Equity Transfer Agreement”	the agreement dated 3 January 2023 entered into between Weigao Ortho and the Vendors in relation to the transfer of 100% equity interest in Weigao New Life
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target” or “Weigao New Life”	山東威高新生醫療器械有限公司 Shandong Weigao New Life Medical Equipment Co., Ltd. is owned as 48% by Weigao Biotechnology, 40% by Weigao Fussen, 8% by Weigao Imaging and 4% by Weigao Qiquan before completion of Equity Transfer Agreement
“Weigao Biotechnology”	威海威高生物科技有限公司 Weihai Weigao Biotechnology Co., Ltd. is a wholly owned subsidiary of Weihai Weigao International and it is established in the PRC on 20 May 2005
“Weigao Fusen”	威海威高富森醫用材料有限公司 Weihai Weigao Fusen Medical Materials Co., Ltd. is a 90.71% owned subsidiary of Weigao Holding and it is established in the PRC on 20 July 2006

“Weigao Holding”	威高集團有限公司 (Weigao Holding Company Limited*), a company with limited liability and the controlling shareholder, holding 45.94% of the Company as at the date of this announcement
“Weigao Imaging”	威海威高醫療影像科技有限公司 Weihai Weigao Medical Imaging Technology Co., Ltd. is an indirectly wholly owned subsidiary of Weihai Weigao International and it is established in the PRC on 4 November 2015
“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 with limited liability company converted under the laws of the PRC on 3 November 2014 and was listed on the Sci-Tech Board of the Shanghai Stock Exchange on 30 June 2021. It is a 67.51% owned subsidiary of the Company
“Weigao Qiquan”	威海威高齊全醫療設備有限公司 Weihai Weigao Qiquan Medical Equipment Co., Ltd. is a wholly owned subsidiary of Weihai Weigao International and it is established in the PRC on 24 March 2009
“Weihai Weigao International”	Weihai Weigao International Medical Investment Holding Company Limited (“ Weihai Weigao International ”) which holds 89.83% of Weigao Holding. Weihai Weigao International is an investment holding Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“%”

per cent

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

3 January 2023

Weihai, Shandong, the PRC

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

Executive Director

Mr. Long Jing

Mr. Cong Rinan

Mr. Lu Junqiang

Mr. Ni Shili

Non-Executive Director

Mr. Tang Zhengpeng

Mr. Chen Lin

Independent non-executive Director

Mr. Li Guohui

Mrs. Meng Hong

Mr. Li Qiang