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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)

DISCLOSEABLE TRANSACTION
FORMATION OF A JOINT VENTURE
FOR THE ACQUISITION OF
ARGON MEDICAL DEVICES HOLDINGS, INC.



Sole Financial Advisor

FORMATION OF THE JOINT VENTURE FOR THE ACQUISITION

On 22 September 2017 (after trading hours), the Company, the JV Partner, the Purchaser, the Subsidiary, the Vendor Representative and the Target Company entered into the Agreement.

The Purchaser is a wholly owned subsidiary of the Joint Venture. The Joint Venture was formed by Weigao International, which is a wholly-owned subsidiary of the Company, and the JV Partner. The Joint Venture is held as to 90% by Weigao International and as to 10% by the JV Partner. Weigao International and the JV Partner will fund the Purchaser for the Acquisition according to their respective shareholdings in the Joint Venture. The Joint Venture has appointed UBS to be its sole financial advisor.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios in respect of the formation of the Joint Venture for the Acquisition are more than 5% but less than 25%, the formation of the Joint Venture for the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

* For identification purpose only

FORMATION OF THE JOINT VENTURE FOR THE ACQUISITION

Reference is made to the announcement of the Company dated 31 August 2017 in relation to the submission of a bid for the acquisition of a medical device company. The Board is pleased to announce that on 22 September 2017 (after trading hours), the Company, the JV Partner, the Purchaser, the Subsidiary, the Vendor Representative and the Target Company entered into the Agreement.

The Purchaser is a wholly owned subsidiary of the Joint Venture. The Joint Venture was formed by Weigao International, which is a wholly-owned subsidiary of the Company, and the JV Partner. The Joint Venture is held as to 90% by Weigao International and as to 10% by the JV Partner. Weigao International and the JV Partner will fund the Purchaser for the Acquisition according to their respective shareholdings in the Joint Venture. The Joint Venture has appointed UBS to be its sole financial advisor.

The principal terms of the Agreement are set out as follows.

Subject matter

The subject matter is the Acquisition by way of the Merger.

Upon Completion, the Target Company's existing common stock and outstanding stock options will be converted into the right to receive an amount in cash pro-rata of the total consideration and each issued and outstanding common stock of the Subsidiary immediately prior to Completion will be converted into and become the common stock of the Target Company.

Consideration

The total consideration is US\$850 million, on the cash-free and debt-free basis with normalized working capital, subject to the following adjustments:

(a) Working capital adjustment

If the working capital at Completion exceeds US\$42,250,000, then the consideration shall be increased by the excess.

If the working capital at Completion is less than US\$42,250,000, then the consideration shall be reduced by the shortfall.

(b) *Cash adjustment*

If the actual Cash of the Target Group at Completion exceeds the estimated Cash of the Target Group at Completion, then the consideration shall be increased by the excess.

If the actual Cash of the Target Group at Completion is less than the estimated Cash of the Target Group at Completion, then the consideration shall be reduced by the shortfall.

(c) *Expenses adjustment*

If the actual transaction expenses incurred by the Target Group up to Completion exceeds the estimated transaction expenses up to Completion, then the consideration shall be reduced by the excess.

If the estimated transaction expenses up to Completion exceeds the actual transaction expenses incurred by the Target Group up to Completion, then the consideration shall be increased by the excess.

(d) *Debt adjustment*

If the Debt of the Target Group at Completion exceeds the estimated Debt of the Target Group at Completion, then the consideration shall be reduced by the excess.

If the estimated Debt of the Target Group at Completion exceeds the Debt of the Target Group at Completion, then the consideration shall be increased by the excess.

(e) *Tax accrual adjustment*

If the actual Tax Accrual for taxable years or periods ending on or before Completion is greater than the estimated Tax Accrual at Completion, then the Vendor Representative shall pay the difference to the Purchaser.

If the actual Tax Accrual is less than the estimated Tax Accrual, then the Purchaser shall pay the difference to the Vendor Representative.

The consideration was determined after arm's length negotiations with the Vendor Representative and taking into account of the following factors:

- (1) the valuation of acquisitions of comparable industry peers;
- (2) the historical performance of the Target Group; and
- (3) the future development outlook of the business of the Target Group under the overall competitive environment and market condition.

The Purchaser intends to fund US\$420 million of the total consideration by way of debt financing and the balance by funding from the Joint Venture. Weigao International intends to fund its pro-rata cash payment to the Joint Venture from its internal resources.

Conditions precedent

Completion will take place on the Completion Date. Completion is conditional upon the satisfaction of, among other, the following conditions:

- (1) the applicable waiting period under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976 shall have expired or been terminated;
- (2) the written consent of the Target Company's stockholders holding at least a majority of the outstanding voting stock of the Company in accordance with Section 228 of the General Corporation Law of the State of Delaware shall have been executed and delivered and shall remain in full force and effect; and

- (3) the following governmental approvals required for the consummation of the transactions contemplated hereby shall have been obtained (or waived by the applicable governmental body):
- (i) the filing by the Purchaser and/or its affiliates with, and issuance of the filing notice by, NDRC in respect of the transactions contemplated by the Agreement;
 - (ii) the filing by Purchaser and/or its affiliates with, and issuance of the enterprise outbound investment certificate by, MOFCOM in respect of the transactions contemplated by the Agreement; and
 - (iii) the foreign exchange registration procedure with SAFE, in respect of the cross-border remittance through a bank within the PRC of all or a certain portion of the consideration payable by the Purchaser under the Agreement.

If Completion does not occur before the Long Stop Date, the Target Company or the Purchaser may terminate the Agreement.

Guarantee

The Company and the JV Partner have severally but not jointly guaranteed the payment in full of all amounts due and payable by each of the Purchaser and the Subsidiary under the Agreement pro-rata to their shareholdings in the Joint Venture subject to a maximum amount of US\$430 million.

INFORMATION ON THE TARGET COMPANY

The Target Company is principally engaged in the research and development, manufacturing and sales and distribution of medical devices for the use in interventional oncology and vascular interventional procedures. The Target Company's market leading product portfolio mainly consists of biopsy products, vascular clot management devices, drainage catheters and guidewires and other accessories.

The audited consolidated revenue, the audited net profit before and after taxation, the unaudited adjusted revenue and the unaudited adjusted EBITDA of the Target Company prepared in accordance with the US GAAP for the two years ended 31 December 2016 is set out below.

	The financial year ended	
	31 December	
	2016	2015
	<i>(US\$'000)</i>	<i>(US\$'000)</i>
Revenue	225,442	218,858
Net loss before taxation	(23,639)	(10,877)
Net loss after taxation	(21,335)	(9,386)
 <i>Supplementary financial information:¹</i>		
Unaudited adjusted revenue	179,094	172,069
Unaudited adjusted EBITDA	68,012	66,232

The audited consolidated net asset value of the Target Company as at 31 December 2016 was approximately US\$118 million.

INFORMATION ON THE PARTIES

- (1) The Purchaser is a wholly-owned subsidiary of the Joint Venture formed between Weigao International and the JV Partner for the Acquisition. The Joint Venture is owned as to 90% by Weigao International and 10% by the JV Partner. Weigao International is a wholly-owned subsidiary of the Company. Each of Weigao International, the Joint Venture and the Purchaser is principally engaged in investment holding.
- (2) The JV Partner is a company incorporated in the Cayman Islands. It is ultimately controlled by a private equity firm principally engaged in investment management. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiry, each of the JV Partner and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

¹ Unaudited adjusted revenue and unaudited adjusted EBITDA are calculated based on Target Company's audited consolidated financials adjusted for the elimination of certain business unit which was disposed in February 2017, the normalization adjustments related to certain acquisition in 2015, constant foreign exchange rate adjustment and the elimination of certain one-off items. Adjusted EBITDA is calculated as earnings before interest income, finance costs, income tax, depreciation and amortization

- (3) The Subsidiary is a wholly-owned subsidiary of the Purchaser. It was incorporated for the sole purpose of the Acquisition.
- (4) The Vendor Representative is the representative appointed by the Vendors, as the exclusive agent and attorney-in-fact to act on behalf of each Vendor in connection with, and to facilitate the consummation of, the transactions contemplated under the Agreement. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiry, each of the Vendor Representative and the Vendors is a third party independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

Building on its market leading position in the PRC, the Company has continued to seek strategic opportunities to (i) further enhance its product portfolio, particularly by increasing revenue contribution from premium, high-barrier, high margin products; and (ii) diversify its revenue stream to increase the contribution of sales from international markets.

The Company considers that there are significant strategic value and synergies that may be created by the Acquisition.

The Target Company focuses mainly in the high-end biopsy, vascular and drainage medical devices with multiple physician-preference products. Such product portfolio is highly complementary to the Group's existing product portfolio in the PRC which focuses on single-use consumables, orthopedics implants and blood purification dialysis and equipment as well as dialysis centers. The Acquisition would enable the Company to significantly expand its product portfolio to include multiple clinically differentiated single use interventional products and further enhance the Group's market leadership position.

The Board expects significant growth opportunities for the Target Company's products in the PRC. It is expected that the Target Company would be able to leverage on the Group's existing sales and marketing network and in particular, the Group's extensive hospital and distributor coverage to expand its business into tier -2 and tier -3 cities in the PRC, in addition to its current presence in tier -1 cities.

The Acquisition represents a key step in the Group's overseas expansion strategy. Upon Completion, the Target Group will become one of the Group's core platforms for overseas expansion, by leveraging on the Target Company's management team's experiences in identifying and executing global acquisitions.

Upon Completion, the Target Company will become a subsidiary of the Company with its financial results and performance consolidated into the financial statements the Group.

The Board considers that the terms of the Acquisition (including the consideration and the provision of the guarantee) are fair and reasonable and normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios in respect of the formation of the Joint Venture for the Acquisition are more than 5% but less than 25%, the formation of the Joint Venture for the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of 100% of the issued share capital of the Target Company by the Purchaser by way of the Merger
“Agreement”	the agreement dated 22 September 2017 and entered into between the Company, the JV Partner, the Purchaser, the Subsidiary, the Vendor Representative and the Target Company in relation to the Acquisition
“Board”	the board of the Company

“Cash”	the aggregate amount of the cash and cash equivalents (including marketable securities and short term investments with original maturities of thirty days or less) on hand or in bank accounts, less outstanding checks and cash restricted or limited by by law or contract)
“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 (stock code: 1066)
“Completion”	completion of the Acquisition
“Completion Date”	the second Business Day (as defined in the Agreement) following the date on which the conditions precedent are satisfied (or waived by Purchaser, to the extent permissible under applicable requirements of law) or at such other date, as shall be agreed upon by Purchaser and the Vendor
“connected person”	has the meanings ascribed to it under the Listing Rules
“Debt”	the aggregate amount of the outstanding indebtedness of the Target Group including: <ul style="list-style-type: none"> (i) outstanding indebtedness for borrowed money of the Target Group (excluding intra-Target Group liabilities); (ii) all obligations, contingent or otherwise, of the Target Group issued or assumed as the deferred purchase price of property or services, including any obligation resulting from any earn-out (assuming the maximum amount is earned), performance bonus or seller note;

- (iii) all obligations of the Target Group evidenced by bonds, debentures, notes or similar instruments;
- (iv) all net positions of the Target Group under any interest rate, currency or other similar swap, derivative or hedging agreement;
- (v) all obligations of the Target Group under any performance bond or letter of credit but only to the extent drawn or called prior to the Completion and remaining unreimbursed at the Completion;
- (vi) all capital lease obligations of the Target Group;
- (vii) all obligations of the Target Group under conditional sale or other title retention agreements relating to property or assets purchased by the Target Group; and
- (viii) all guarantees by the Target Group of indebtedness

“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Venture”	WW Medical and Healthcare Company Limited, an exempted company incorporated in the Cayman Islands with limited liability
“JV Partner”	a company incorporated in the Cayman Islands with limited liability

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March, 2018 or such later date to which the Purchaser and the Target Company may mutually agree in writing
“Merger”	the merger of the Subsidiary with the Target Company with the Target Company as the surviving company in accordance with the terms of the Agreement and the General Corporation Law of the State of Delaware
“MOFCOM”	the Ministry of Commerce of the People’s Republic of China
“NDRC”	the National Development and Reform Commission of the People’s Republic of China
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	WW Medical and Healthcare Holdings Corporation, a Delaware corporation
“SAFE”	the State Administration of Foreign Exchange of the People’s Republic of China
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	WW Medical and Healthcare Corporation, a Delaware corporation
“Target Company”	Argon Medical Devices Holdings, Inc., a Delaware corporation
“Target Group”	the Target Company and its subsidiaries

“Tax Accrual”	the aggregate amount, without duplication of (i) the current liability of the Target Group for income and franchise taxes taking into account any deposits or estimated payments made in respect thereof; and (ii) the liability of the Target Group for taxes imposed by the Swiss taxing authority
“UBS”	UBS AG, acting through its Hong Kong branch, an institution licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong), the sole financial adviser to the Joint Venture in relation to the Acquisition
“US\$”	United States dollar, the lawful currency of the United States of America
“Vendor Representative”	Roundtable Healthcare Partners III, L.P., a Delaware limited partnership
“Vendors”	holders of the outstanding common stock of the Target Company
“Weigao International”	Weigao International Medical Company Limited, a company incorporated in Hong Kong with limited liability
“%”	per cent.

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

Hong Kong, 22 September 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*)