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**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)**

**1. (A) DISCLOSEABLE AND  
EXEMPTED CONNECTED TRANSACTION –  
SUBSCRIPTION FOR ADDITIONAL CAPITAL IN  
WEIGAO BLOOD PURIFICATION; AND  
(B) EXEMPTED CONNECTED TRANSACTION –  
PUT OPTION IN RESPECT OF INTEREST IN  
WEIGAO BLOOD PURIFICATION  
AND  
2. RESIGNATION OF AN EXECUTIVE DIRECTOR**

**1. (A) THE CAPITAL INCREASE**

On 4 December 2017, the Company, the Existing Joint Venture Partners and Nikkiso entered into the Capital Increase Agreement under which Nikkiso agreed to subscribe for additional capital in Weigao Blood Purification, a subsidiary of the Company, for a total consideration of RMB100 million (equivalent to approximately HK\$118 million).

Upon completion of the Capital Increase, Nikkiso and the Company will hold 5.0% and 46.87%, respectively, of the enlarged registered capital of Weigao Blood Purification, and there will be a change of the board composition of Weigao Blood Purification as set out in the section headed “Board composition” in this announcement. As a result of the change in the board composition, the Company will cease to control the board of Weigao Blood Purification upon completion of the Capital Increase.

\* *For identification purpose only*

## **(B) THE PUT OPTION**

In connection with the Capital Increase, the Company entered the Joint Venture Agreement with Nikkiso under which the Company has granted to Nikkiso the Put Option. The principal terms of the Put Option are set out in the section headed “(b) The Put Option” in this announcement.

## **(C) LISTING RULES IMPLICATIONS**

Upon completion of the Capital Increase, the shareholding interest of the Company in Weigao Blood Purification will be diluted from 49.34% to 46.87%. The Capital Increase constitutes a deemed disposal of the Company under Rule 14.29 of the Listing Rules. Given that the Company will cease to control the board of directors of Weigao Blood Purification upon completion of the Capital Increase, Weigao Blood Purification will cease to be a subsidiary of the Company and become an associated company of the Company after the Capital Increase.

As one or more of the applicable percentage ratios in respect of the Capital Increase are more than 5% but less than 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Nikkiso is an existing joint venture partner of Weigao Blood Purification in dialysis machine. The joint venture is owned as to 51% by Weigao Blood Purification and as to 49% by Nikkiso. Nikkiso is therefore a connected person of the Company at the subsidiary level. Each of the entering into of the Capital Increase Agreement and the grant of the Put Option to Nikkiso constitutes a connected transaction for the Company.

Given that the terms of the Capital Increase and the Put Option are on normal commercial terms and that the independent non-executive Directors have confirmed that the terms of the Capital Increase and the Put Option are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole, the Capital Increase and the grant of the Put Option is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

## 2. RESIGNATION OF AN EXECUTIVE DIRECTOR

Mr. Xia Lie Bo (夏列波) has resigned as an executive Director with effect from 4 December 2017.

## 1. THE CAPITAL INCREASE AND THE PUT OPTION

### (a) The Capital Increase

On 4 December 2017, the Company, the Existing Joint Venture Partners and Nikkiso entered into the Capital Increase Agreement. The principal terms of the Capital Increase Agreement are set out below:

#### *Subject matter*

As at the date of this announcement, Weigao Blood Purification is a subsidiary of the Company with a registered share capital of RMB170,240,000 (equivalent to approximately HK\$200,992,000). Under the Capital Increase Agreement, Nikkiso agrees to subscribe for 5% of the enlarged registered capital of Weigao Blood Purification for RMB100 million (equivalent to approximately HK\$118 million).

The registered capital and the percentage of equity interest in Weigao Blood Purification before and after the Capital Increase are set out below:

	Before the Capital Increase		Upon completion of the Capital Increase	
	RMB'000	%	RMB'000	%
<b>Shareholders</b>				
The Company	84,000	49.34	84,000	46.87
Weihai Kaide Information Technology Center LLP	34,050	20.00	34,050	19.00
Chen Lin	15,320	9.00	15,320	8.55
Xia Lie Bo	11,070	6.50	11,070	6.18
Shanghai Weike Investment Co., Ltd.	25,800	15.16	25,800	14.40
Nikkiso	—	—	8,960	5.00
Total	<u>170,240</u>	<u>100.00</u>	<u>179,200</u>	<u>100.00</u>

### ***Subscription price and basis of consideration***

The total subscription price payable by Nikkiso in cash under the Capital Increase Agreement is RMB100 million (equivalent to approximately HK\$118 million), which will be contributed as to RMB8.96 million to the registered capital of Weigao Blood Purification and the remaining RMB91.04 million will be contributed to the capital reserve of Weigao Blood Purification. The subscription price was determined after arm's length negotiations between the parties after taking into consideration, among others, the net asset value of Weigao Blood Purification, its range of products, performance and development potential, together with the possible synergy effect that may be created by the cooperation and the prospects of the blood purification market in the PRC.

### ***Completion***

Completion of the Capital Increase Agreement shall take place upon the payment of the consideration by Nikkiso and the filing of the necessary documents, if necessary, with the relevant approval and regulatory authorities.

### ***Board composition***

Upon completion of the Capital Increase, the board of directors of Weigao Blood Purification will change from the existing three-member board (nominated as to two directors by the Company and as to one director by Mr. Xia Lie Bo) to a five-member board. The respective board representation rights of the relevant parties upon completion of the Capital Increase are as follows:

<b>Shareholders</b>	<b>Number of directors to be nominated by the shareholders</b>
The Company	2
Nikkiso	1
Weihai Kaide Information Technology Center	1
Mr. Xia Lie Bo (夏列波)	1

Although the Company's right to appoint two directors to the board of directors of Weigao Blood Purification remains unchanged, the Company will no longer be able to appoint the majority of the directors of Weigao Blood Purification upon completion of the Capital Increase. As such, Weigao Blood Purification will cease to be a subsidiary of the Company upon completion of the Capital Increase.

**(b) The Put Option**

In connection with the Capital Increase, the Company, the Existing Joint Venture Partners and Nikkiso have entered into Joint Venture Agreement under which the Company has granted to Nikkiso the Put Option. The Put Option is exercisable by Nikkiso upon the occurrence of any of the following events:

- (i) the accumulate loss of Weigao Blood Purification reaches 80% of its registered capital; or
- (ii) Weigao Blood Purification has recorded a loss for three consecutive years.

Upon the exercise of the Put Option, the Company is required to purchase the interest of Nikkiso in Weigao Blood Purification at the purchase price equivalent to the net asset value of Weigao Blood Purification as determined by its most recent audited accounts multiplied by the proportional equity interest of Nikkiso in Weigao Blood Purification, subject to the maximum amount not exceeding the amount of investment made by Nikkiso under the Capital Increase Agreement.

**(c) Reasons for and benefits**

The Capital Increase is being undertaken to enhance the shareholder base and form a stronger strategic business alliance with Nikkiso in the hemodialysis business. The proceeds to be received from the Capital Increase is estimated to be approximately RMB100 million and will be used for expanding the production of dialyser, dialysis machine and expanding the operation of dialysis centers.

Weigao Nikkiso (Weihai) Dialysis Equipment Company Limited (“**Weigao Nikkiso JV**”) was established in 2010 by Weigao Blood Purification and Nikkiso. Pursuant to the Production Technology License Agreement signed in 2010 between Nikkiso and Weigao Nikkiso JV, Nikkiso licenses its production technology on hemodialysis machines to Weigao Nikkiso JV. With in-house capability in producing high quality dialysis machines, Weigao Blood Purification has been able to establish a leading position in hemodialysis in the PRC. On 11 October 2017, Nikkiso further agreed in the revised Production Technology License Agreement to expand the transfer of technology in 透析製劑溶解裝置 (Dialysate Mixing System) to Weigao Nikkiso JV. With the continuous expansion of operations in dialysis centers by Weigao Blood Purification, having the in-house capability in the Dialysate Mixing System will further improve the quality and enhance operational efficiency in the provision of dialysis services. In addition, sales of Dialysate Mixing System by Weigao Blood Purification will further increase revenue and profitability of Weigao Blood Purification.

The Directors are of the view that the Capital Increase made by Nikkiso will allow Nikkiso to have an equity interest in Weigao Blood Purification and enable to Group to form a stronger strategic alliance with Nikkiso in the hemodialysis business. The granting of the Put Option to Nikkiso is to induce Nikkiso in entering into the transactions contemplated under the Capital Increase Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Increase (including the Put Option) are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(d) Listing Rules implications**

Upon completion of the Capital Increase, the shareholding interest of the Company in Weigao Blood Purification will be diluted from 49.34% to 46.87%. The Capital Increase constitutes a deemed disposal of the Company under Rule 14.29 of the Listing Rules. Given that the Company will cease to control the board of directors of Weigao Blood Purification upon completion of the Capital Increase, Weigao Blood Purification will cease to be a subsidiary of the Company and Weigao Blood Purification will become an associated company of the Company after the Capital Increase.

As one or more of the applicable percentage ratios in respect of the Capital Increase are more than 5% but less than 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Nikkiso is an existing joint venture partner of Weigao Blood Purification in dialysis machine. The joint venture is owned as to 51% by Weigao Blood Purification and as to 49% by Nikkiso. Nikkiso is therefore a connected person of the Company at the subsidiary level.

Each of the entering into of the Capital Increase Agreement and the grant of the Put Option constitutes a connected transaction for the Company. Given that the terms of the Capital Increase and the Put Option are on normal commercial terms and that the independent non-executive Directors have confirmed that the terms of the Capital Increase and the Put Option are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole, each of the Capital Increase and the grant of the Put Option is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

**(e) Financial effects of the Capital Increase**

Upon completion of the Capital Increase, Weigao Blood Purification will cease to be a subsidiary of the Company and become an associated company of the Company and its financial results will no longer be consolidated in the Company's accounts. The Company is expected to record an accounting gain of RMB471,027,000 (approximately HK\$556,112,000) as a result of the Capital Increase. The actual amount of the gain on the Capital Increase to be recognised by the Company will depend on the carrying value of the Company's 49.34% equity interest in Weigao Blood Purification as at Completion and therefore may be different from the amount mentioned above.

**(f) Information on the parties**

***The Company***

The Company and its subsidiaries are principally engaged in the research and development, production and sale of single-use medical devices, orthopaedic products and blood purification products.

## ***Nikkiso***

Nikkiso was founded in 1953. It is principally engaged in various industrial and medical products. The medical business mainly engaged in manufacture, sale and maintenance of hemodialysis related products, including dialysis machines, dialyzers, blood tubing lines and dialysate solution powders and other medical products. It is listed on the Tokyo stock exchange with a market capitalization of Yen80,527 million (equivalent HK\$5,574 million).

## ***The Existing Joint Venture Partners***

The Existing Joint Venture Partners are together interested in approximately 50.66% of the equity interest in Weigao Blood Purification as at the date of this announcement. Their respective details are as follows:

Weihai Kaide Information Technology Center LLP is a limited partnership established in the PRC and is held by the management of Weigao Blood Purification.

Mr. Chen Lin is the son of Mr. Chen Xue Li, who is a substantial shareholder holding approximately 29.3% of the issued share capital of the Company.

Mr. Xia Lie Bo is a director of Weigao Blood Purification. Mr. Xia has resigned as an executive Director of the Company from 4 December 2017.

Shanghai Weike Investment Co., Ltd. is a limited company established in the PRC and is principally engaged in the business of investment holding. Save for its interest in Weigao Blood Purification, it is independent of and not connected with the Company and its connected persons.

## **2. RESIGNATION OF AN EXECUTIVE DIRECTOR**

Mr. Xia Lie Bo has resigned as an executive Director with effect from 4 December 2017 in order to devote more time for the development of the blood purification business.

Mr. Xia has confirmed that he has no disagreement with the Board and there is no matter in relation to his resignation that needs to be brought to the attention of the Stock Exchange and the Shareholders.

The Board would like to take this opportunity to thank Mr. Xia for his contribution to the Company during the tenure of office.

### 3. DEFINITIONS

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

“Board”	the board of Directors;
“Capital Increase”	the subscription for the additional capital in Weigao Blood Purification by Nikkiso;
“Capital Increase Agreement”	the agreement dated 4 December 2017 entered into between the Company, the Existing Joint Venture Partners and Nikkiso in respect of the Capital Increase in Weigao Blood Purification;
“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;
“Director(s)”	the director(s) of the Company;
“Existing Joint Venture Partners”	the existing shareholders (other than the Company) of Weigao Blood Purification, namely Weihai Kaide Information Technology Center LLP, Mr. Chen Lin, Mr. Xia Lie Bo and Shanghai Weike Investment Co., Ltd.;
“Group”	the Company and its subsidiaries;

“Joint Venture Agreement”	the joint venture agreement dated 4 December 2017 between the Company, the Existing Joint Venture Partners and Nikkiso in relation to the governance of Weigao Blood Purification;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Nikkiso”	Nikkiso Co., Ltd., a company established in Japan, the shares of which are listed on the Tokyo Stock Exchange;
“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;
“Put Option”	the right to require the Company to acquire from Nikkiso its interest in Weigao Blood Purification;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Weigao Blood Purification”	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 Capital Increase Agreement and the date of this announcement; and
“%”	per cent.

*For illustration purpose, amount in RMB in this announcement have been translated to HK\$ at HK\$1.00 = RMB0.847 and amount in YEN in this announcement have been translated to HK\$ at HK\$1.00 = Yen 14.450.*

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

Weihai, Shandong, the PRC, 4 December 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*)

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*)

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