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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)**

**POSSIBLE DISCLOSEABLE TRANSACTION  
IN RELATION TO  
PROPOSED SPIN-OFF AND SEPARATE LISTING OF  
SHANDONG WEIGAO ORTHOPAEDIC DEVICE COMPANY  
LIMITED  
ON THE MAIN BOARD OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED**

This announcement is made pursuant to Rule 13.09(2)(a) of the Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and PN15 of the Listing Rules.

## **PROPOSED SPIN-OFF**

The Board is pleased to announce that the Company submitted a spin-off proposal to the Stock Exchange pursuant to PN15 in relation to the Proposed Spin-off. The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off on 21 January 2015.

On 18 February 2015, Weigao Ortho submitted, through its appointed joint sponsors, a listing application form (Form A1) to the Stock Exchange for an application for the listing of, and permission to deal in, the Weigao Ortho Shares on the Main Board of the Stock Exchange. The Proposed Spin-off is subject to the requirements under PN15 and other relevant provisions of the Listing Rules.

It is currently intended that Weigao Ortho will seek a listing on the Main Board of the Stock Exchange by way of (a) a public offering in Hong Kong, (b) an international offering to institutional, professional or other investors in Hong Kong; the United States of America and other jurisdictions; and (c) a preferential offer of Weigao Ortho Shares to qualifying Shareholders, amounting in aggregate to no less than 26.5% of the enlarged issued share capital of Weigao Ortho immediately upon completion of the Global Offering.

In accordance with the requirements of PN15, the Board proposes to give due regard to the interests of Shareholders by providing qualifying Shareholders with an assured entitlement to the Weigao Ortho Shares by way of a preferential offering of the Weigao Ortho Shares if the Proposed Spin-off proceeds. The percentage of the assured entitlement is expected to represent approximately 10% of the total Weigao Ortho Shares available under the Global Offering (assuming over-allotment option is not exercised). Details of such assured entitlement have not been finalized. The Company will make further announcement(s) in this regard as and when appropriate.

## **LISTING RULES IMPLICATIONS**

As of the date of this announcement, Weigao Ortho is a non-wholly-owned subsidiary of the Company and holds directly and indirectly as to 90% by the Company.

Upon completion of the Global Offering (assuming no exercise of the over-allotment option), it is proposed that the Company's shareholding interest in the issued share capital of Weigao Ortho will be reduced, but it is intended that Weigao Ortho will remain as a subsidiary of the Company. Such reduction of the Company's shareholding interest in Weigao Ortho is a deemed disposal by the Company and is expected to constitute a possible discloseable transaction of the Company under the Listing Rules, which will be subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules. The Company will comply with the applicable requirements of Chapter 14 of the Listing Rules as and when necessary.

**The listing of the Weigao Ortho Shares pursuant to the Proposed Spin-off is subject to, amongst others, the Listing Approval and the final decisions of the Board and of the board of directors of Weigao Ortho which are dependent upon, among others, market conditions during the period leading up to the proposed Global Offering. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the separate listing of the Weigao Ortho Shares will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in or investing in the securities of the Company.**

Further announcement(s) will be made by the Company in relation to the Proposed Spin-off if and when appropriate.

## **INTRODUCTION**

This announcement is made pursuant to Rule 13.09(2)(a) of the Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and PN15 of the Listing Rules.

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## **THE PROPOSED SPIN-OFF**

The Proposed Spin-off involves the spin-off by the Company and separate listing of Weigao Ortho.

It is currently intended that Weigao Ortho will seek a listing on the Main Board of the Stock Exchange by way of (a) a public offering in Hong Kong; (b) an international offering to institutional, professional or other investors in Hong Kong, the United States of America and other jurisdictions; and (c) a preferential offer of Weigao Ortho Shares to qualifying Shareholders, amounting in aggregate to no less than 26.5% of the enlarged issued share capital of Weigao Ortho immediately upon completion of the Global Offering.

## **INFORMATION ABOUT THE GROUP, WEIGAO ORTHO AND THE REMAINING GROUP**

The Group is based in Shandong province and it is principally engaged in the research and development, production and sale of single-use medical devices. The Group has a wide range of products including: (a) consumables (infusion set, syringes, medical needle, blood bags) and other consumables; (b) orthopedic materials; and (c) blood purification products. The Group's products are sold under its own brand names, including "Jierui", "Weigao Ortho", "Yahua" and "Jianli Bangde". The products are sold throughout the PRC and exported to overseas countries. The Group has a nationwide sales network and an extensive customer base of over 5,200 healthcare organizations including over 3,100 hospitals and 410 blood stations.

Weigao Ortho was established by, among others, the Company on 6 April, 2005 and it is principally engaged in the research and development, production and sale of spine, trauma and joint orthopedic implants. On 3 November, 2014, Weigao Ortho was converted from a limited liability company to a joint stock company with limited liability with a registered capital of RMB180 million. On 7 January 2015, the registered capital of Weigao Ortho was increased from RMB180 million to RMB200 million upon Alltrade Investment injecting an additional capital of RMB51 million. Upon completion of the capital increase, Weigao Ortho was directly and/or indirectly held as to 90% by the Company and 10% by Alltrade Investment.

Upon completion of the Proposed Spin-off, the Remaining Group will be engaged in the research and development, production and sale of (a) single-use medical consumables such as infusion sets, needles, syringes, blood transfusion sets, blood bags, wound management products, and medical grade PVC; and (b) blood purification products and related haemodialysis equipment.

## **ACQUISITION OF WEIGAO ASSET MANAGEMENT**

As part of the reorganisation of Weigao Ortho Group, on 22 December 2014, Weigao Ortho entered into an equity transfer agreement with the Company to acquire the entire equity interest of Weigao Asset Management from the Company for a total consideration of RMB259.56 million which is to be settled in two installments. The first installment of RMB129.78 million shall be settled within six months from the issuance of the title certificate of Properties, and the second installment of the remaining balance of RMB129.78 million shall be settled within one year from the issuance of the title certificate of Properties. The aggregate consideration was determined based on the valuation of the Properties conducted by an independent valuer. Upon completion of the above equity transfer, Weigao Asset Management has become a wholly-owned subsidiary of Weigao Ortho.

Weigao Asset Management was established by the Company in the PRC as a limited liability company on 17 December 2014 with an initial registered capital of RMB10.0 million. The principal assets of Weigao Asset Management will be the Properties to be injected by the Company. The Properties are currently used by Weigao Ortho as offices and production facilities on a rent-free basis pending completion of the transfer of the title of the Properties from the Company to Weigao Asset Management. It is expected that such title transfer will be completed in 2015.

## **ASSURED ENTITLEMENT**

In accordance with the requirements of PN15, the Board proposes to give due regard to the interests of Shareholders by providing qualifying Shareholders with an assured entitlement to the Weigao Ortho Shares by way of a preferential offering of the Weigao Ortho Shares if the Proposed Spin-off proceeds. The percentage of the assured entitlement is expected to represent approximately 10% of the total Weigao Ortho Shares available under the Global Offering (assuming over-allotment option is not exercised). Details of such assured entitlement have not been finalized. The Company will make further announcement(s) in this regard as and when appropriate.

## **REASONS FOR AND BENEFIT OF THE PROPOSED SPIN-OFF**

The Board considers it commercially desirable and in the interest of the Shareholders to obtain a separate listing of the Weigao Ortho Group, which is expected to also create greater value for the Company and its shareholders as a whole for the following reasons:

- i. the Proposed Spin-off will allow the Company and its Shareholders an opportunity to realize their fair value of investment in the Weigao Ortho Group;
- ii. the Proposed Spin-off will enable the Weigao Ortho Group to build its identity as a separately listed group, and will provide separate fund-raising platforms for the Remaining Group and the Weigao Ortho Group. Such platform would allow the Weigao Ortho Group to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion without reliance on the Company, thereby accelerating its expansion and improving its operating and financial performance, which in turn will provide better reward to the shareholders of both the Remaining Group and the Weigao Ortho Group;
- iii. as a separately listed group, the Weigao Ortho Group will be able to further build on its reputation and be in a better position to negotiate and solicit more businesses, and the Company will in turn be able to benefit from the growth of the Weigao Ortho Group through its shareholding in Weigao Ortho;

- iv. the Proposed Spin-off will increase the operational and financial transparency and improve the corporate governance of the Weigao Ortho Group and provide investors, the financial institutions and rating agencies with greater clarity on the businesses and financial status of the Remaining Group and the Weigao Ortho Group on a stand-alone basis, and such improvements will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of both the Remaining Group and the Weigao Ortho Group;
- v. the Proposed Spin-off will enable the Weigao Ortho Group to enhance its corporate profile, thereby increasing its ability to attract strategic investors, which can produce synergy for the Weigao Ortho Group, for investment in and forming strategic partnerships directly with the Weigao Ortho Group;
- vi. the stock performance of the Weigao Ortho Group can serve as a separate benchmark for the evaluation of the performance of the Weigao Ortho Group which could in turn serve as an incentive for the management of the Weigao Ortho Group to seek improvement and raise management and operating efficiency of the Weigao Ortho Group on an ongoing basis; and
- vii. the Proposed Spin-off would enable a more focused development, strategy planning and better allocation of resources for the Remaining Group and the Weigao Ortho Group with respect to their respective businesses, and both the Remaining Group and the Weigao Ortho Group would benefit from the efficient decision making process under the separate management structure for seizing emerging business opportunities.

## **LISTING RULES IMPLICATIONS**

As of the date of this announcement, Weigao Ortho is a non-wholly-owned subsidiary of the Company and holds as to 90% by the Company directly and indirectly.

Upon completion of the Global Offering (assuming no exercise of the over-allotment option), it is proposed that the Company's shareholding interest in the issued share capital of Weigao Ortho will be reduced, but it is intended that Weigao Ortho will remain as a subsidiary of the Company. Such reduction of the Company's shareholding interest in Weigao Ortho is a deemed disposal by the Company and is expected to constitute a possible discloseable transaction of the Company under the Listing Rules, which will be subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules. The Company will comply with the applicable requirements of Chapter 14 of the Listing Rules as and when necessary.

**The listing of the Weigao Ortho Shares pursuant to the Proposed Spin-off is subject to, amongst others, the Listing Approval and the final decisions of the Board and of the board of directors of Weigao Ortho which are dependent upon, among others, market conditions during the period leading up to the proposed Global Offering. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the separate listing of the Weigao Ortho Shares will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in or investing in the securities of the Company.**

Further announcement(s) will be made by the Company in relation to the Proposed Spin-off if and when appropriate.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions will have the following respective meanings:

“Alltrade Investment”	Alltrade Investment Holding Limited, a limited liability company incorporated in Hong Kong and a company indirectly wholly owned by an employee of the Company
“Board”	the board of directors of the Company
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules

“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 incorporated in the PRC, the H-shares of which are listed on the Main Board of the Stock Exchange
“Global Offering”	pursuant to the Proposed Spin-off, a public offering in Hong Kong, an international offering to institutional, professional or other investors in Hong Kong, the United States of America and other jurisdictions, and a preferential offer of Weigao Ortho Shares to qualifying Shareholders
“Group”	the Company and its subsidiaries
“Listing Approval”	the approval from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Weigao Ortho Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PN15”	Practice Note 15 of the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Properties”	the properties situated at No. 26 Xiangjiang Street, Tourist Resorts, Weihai, Shandong Province, PRC with a gross floor area of approximately 85,285.4 square meters
“Proposed Spin-off”	the proposed spin-off of Weigao Ortho by way of a separate listing of the Weigao Ortho Shares on the Main Board of the Stock Exchange
“Remaining Group”	the Group, excluding the Weigao Ortho Group

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Weigao Asset Management”	威海威高資產管理有限公司 (Weihai Weigao Asset Management Co., Ltd.*), a limited liability company established in the PRC and a subsidiary of the Company
“Weigao Ortho”	山東威高骨科材料股份有限公司 (Shandong Weigao Orthopedic Device Company Limited*), a joint stock limited company established in the PRC and a subsidiary of the Company
“Weigao Ortho Group”	Weigao Ortho and its subsidiaries
“Weigao Ortho Shares”	overseas listed foreign shares in Weigao Ortho’s ordinary share capital with a nominal value of RMB1.00 each, to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange

By Order of the Board  
**Shandong Weigao Group Medical Polymer Company Limited**  
**Chen Xueli**  
*Chairman*

Weihai, Shandong, the PRC, 18 February 2015

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

Mr. Zhang Hua Wei (*Executive Director*)

Mr. Wang Yi (*Executive Director*)

Mr. Gong Jian Bo (*Executive Director*)

Mr. Xia Lie Bo (*Executive Director*)

Mr. Chen Xue Li (*Non-executive Director*)

Mrs. Zhou Shu Hua (*Non-executive Director*)

Mr. Lo Wai Hung (*Independent non-executive Director*)

Mr. Li Jia Miao (*Independent non-executive Director*)

Mrs. Fu Ming Zhong (*Independent non-executive Director*)

Mrs. Wang Jin Xia (*Independent non-executive Director*)

\* *For identification purpose only*