

Zhejiang Silk Road Fund invests as new investor in US\$100 million B Series Round in CMR Surgical Limited

Thought to be Europe's largest fundraising to date in the medical devices industry, Zhejiang Silk Road Fund is a private equity fund principally sponsored and managed by Zhejiang United Investment Group (ZUIG), China.

Legal adviser to ZUIG:

KERMAN & Co LLP

Patent adviser to ZUIG:



cleveland scott york

Legal adviser to
CMR Surgical Ltd:

TaylorWessing

Legal adviser to
existing investors:

**Dechert
LLP**

This announcement appears as a matter of record only

TRANSACTION REPORT

-Paul Gilks & Coral Yu, Kerman & Co LLP-

Kerman & Co's Private Equity team recently represented Zhejiang Silk Road Fund, a private equity fund principally sponsored and managed by Zhejiang United Investment Group, China ("ZUIG"), on its equity investment in CMR Surgical Ltd's ("CMR Surgical") Series B funding round.

On 4 June 2018, CMR Surgical announced that it has closed a Series B funding round raising \$100 million from new investor, Zhejiang Silk Road Fund and existing investors Escala Capital Investments, LGT, Cambridge Innovation Capital and Watrium. It is thought to be Europe's largest ever fundraising in the medical devices industry.

Headquartered in Cambridge, England, CMR Surgical is developing the next-generation robotic system 'Versius®', for universal minimal access (or "keyhole") surgery. The company's vision is to make minimal access surgery universally accessible and affordable by significantly expanding the range of procedures that can be performed robotically.

Commenting on the investment James Wang, Managing Partner of ZUIG said "We are delighted to complete this transaction with the support of Kerman & Co. We relied upon Kerman for solid and

Zhejiang Silk Road Fund Invests in CMR Surgical Ltd

sensible advice, which contributed greatly to the overall success of this investment."

Paul Gilks, Partner at Kerman & Co, commented "We were delighted to work with the ZUIG team on this transaction. The role of the Chinese speaking members of our team was crucial in enabling us to meet the challenging timeline for completing the due diligence exercise and negotiating the legal documentation."

The Kerman & Co team was led by Corporate Partner Paul Gilks, and comprised Joan Yu (Corporate), Peter Kohl (Corporate), Claudia Otto (Real Estate), Zane Shihab (Trademarks), Coral Yu (Corporate), John Daly (Corporate), Eugenie Freeman (Employment) and Amit Bhangham (Real Estate).

ZUIG was also advised by Fraser Brown of Cleveland Scott York (see the description below) in respect of patent matters.

-Fraser Brown, Partner at Cleveland Scott York-

Following on from the transaction description above, Cleveland Scott York undertook the IP due diligence in Europe's largest ever medical devices funding round.

The firm undertook due diligence for private equity fund, Zhejiang Silk Road Fund, which is principally sponsored and managed by Zhejiang United Investment Group, China ('ZUIG') on the patent aspects of the group's equity investment in CMR Surgical.

Cambridge-based surgical robotics firm, CMR Surgical, raised \$100 million (£75 million) in its Series B funding round from Zhejiang Silk Road Fund as well as existing investors, Escala Capital Investments, LGT, Cambridge Innovation Capital and Watrium.

The Cleveland Scott York team of Partner Fraser Brown, Senior Associate Nick Bennett and Associate Hazel Stewart advised ZUIG. Fraser Brown said: "CMR Surgical's patent portfolio was clearly crucial to the value of the company in the eyes of the investors.

"Our extensive experience in the engineering and medical devices sector meant that we were ideally placed to conduct the due diligence investigation into the extensive patent portfolio in this deal, which showcases our capability as a firm."

Cleveland Scott York has offices in the City of London, Hertfordshire, the Thames Valley and Brussels.

ADVISER INTERVIEW

Paul Gilks & Coral Yu,
Kerman & Co LLP

In your opinion, how do you see the Chinese market affecting future transactions, and how does this particular transaction contribute to this movement?

We sense that there may be a perception that closing deals with Chinese investors can be difficult and can slow down the fundraising process. This was not, in fact, our experience in the ZUIG transaction where the legal due diligence process and signing of the legal agreements was completed in a matter of weeks.

The restrictions on China's outbound investment have recently been tightened, but the regulatory approvals in this case were received within the deadline agreed by the parties. Once the investment community gets comfortable with the new Chinese regulatory approval process, we can only see Chinese investment activity in UK companies increasing.

There is clearly growing interest from Chinese strategic investors in making investments in UK technology companies. From a UK Company's point of view the benefit of having a Chinese partner is likely to become increasingly important as a way of accessing the growing Chinese marketplace.

How do you ensure the entire team are on the same page when working on such a big transaction?

We are very fortunate to have

two native Chinese speaking lawyers on the Kerman team. Their role was particularly important to ensure that no misunderstandings arose with the client while negotiating the more difficult issues. Legal due diligence covered corporate, commercial, property, employment and IP matters, with each department contributing its own section to the due diligence report. The patent issues which were particularly critical in ZUIG's assessment of the investment opportunity were dealt with by Cleveland Scott York, who we have worked with on other assignments.

Were there any lessons learnt after everything was finalised?

We were struck by the professionalism of the ZUIG team who were prepared to work around the clock to get the deal over the line. China is 7 hours ahead, so you can easily lose a day unless you arrange conference calls and respond to emails early in the day. There was clearly some concern from the Company and other investors that the tightened Chinese regulatory approval process might delay completion. However, we believe that this did not become an issue partly because ZUIG was proactive in communicating with the regulatory authorities to smooth the approval process. In the event that ZUIG participates in future investment rounds this experience will be put to good use.

ADVISER INTERVIEW

Fraser Brown,
Partner at Cleveland Scott York

What particular patent issues do you look out for prior to working on such a deal?

The key patent issues are:

1) Whether the company's core technology is protected by pending or granted patents and,

2) The extent to which the company's freedom to operate could be limited by pre-existing third-party patents.

We review the company's approach to patenting innovations and identifying problem patents, as well as conducting our own substantive investigations, including the prospects for grant of pending applications and likely scope of protection to be conferred. Crucially the work plan must be feasible in terms of ambition, cost and available time.

Did any unexpected patent issues arise during the process? How did you work around this?

CMR has a very extensive patent portfolio, as does the current dominant player in the field. An initial screening process allowed us to marshal resources towards assessment

of key home and third-party patents. It was invaluable to have direct access to the company's engineers and a laparoscopic surgeon who 'test drove' the surgical arm to critically and comparatively review its performance against competing systems.

For you and your team, what is a successful end to a transaction? How do you ensure you get there?

On the issue of assessing the commercial significance of home and third-party patents, we needed to identify the level of risk/reassurance with which the client was comfortable, and clearly explain any significant issues so as to allow the client to take informed decisions. Cleveland Scott York's medical devices team, including three patent attorneys led by Partner Fraser Brown, Senior Associate Nick Bennett and Associate Dr Hazel Stewart were able to conduct the analysis to the required depth and within the demanding time frame. Success is to see our client's investment interests aligned with the future success of an exciting and growing UK medical technology company.

