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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)

PROPOSED ADOPTION OF SHARE AWARD SCHEME

The Board proposed to adopt the Share Award Scheme. The Share Award Scheme will only become effective upon the approval by the shareholders at the general meeting of the Company. The Company will despatch to the shareholders a circular containing, further details about the Share Award Scheme, a notice convening the special general meeting, a notice of a general meeting for shareholders of the unlisted tradable shares of the Company and a notice of general meeting for the H-shares shareholders.

SHARE AWARD SCHEME

The Board proposed to adopt the Share Award Scheme. A summary of the principal terms of the Share Award Scheme is set out below.

Objectives

The objectives of the Share Award Scheme are:

- (i) to enable the Company to provide incentive to the Eligible Participants in order to recognise and motivate the contributions they have made or will make to the Group;
- (ii) to attract and retain quality talents for the business operation, management and development of the Group; and

* *For identification purpose only*

(iii) to align the interests of the management, the employees and the Group as a whole to ensure the realization of the Group's development strategy and business objectives, and to attain a long-term employer-employee relationship between the Group and the employees.

Duration

Subject to any early termination pursuant to the Share Award Scheme, the Share Award Scheme will be effective for a term of 10 years commencing from the Adoption Date.

Number of Issuable Shares

The maximum number of Unlisted Domestic Shares and/or Unlisted Foreign Shares which may be awarded to the Selected Employees must not exceed 5% of the issued share capital of the Company as at the Adoption Date. As at the date of this announcement, the total number of issued shares of the Company is 4,476,372,324 Shares, and the maximum number of shares which may be issued under the Share Award Scheme is 223,818,616 Shares.

Administration of the Scheme

The implementation of the Share Award Scheme is subject to the administration of the Remuneration Committee and the Trustee.

Operation

The Remuneration Committee may, from time to time, at its absolute discretion select any employees (whether full time or part time, but excluding any Excluded Employees) of any members of the Group, or any person who, in the sole opinion of the Remuneration Committee, will contribute or have contributed to any members of the Group to participate in the Share Award Scheme, and determine the number of Unlisted Domestic Shares or Unlisted Foreign Shares that the Selected Employee is entitled to subscribe, the relevant Issue Price, the length of the vesting period for which it must fulfill prior to the exercise of the subscription rights, the vesting conditions that he/she must satisfy prior to the exercise of the subscription rights and other additional conditions, including any lock-up period, that must be satisfied after the exercise of the subscription right. For the purpose of each Selected Employee, the number of the Unlisted Domestic Shares or the Unlisted Foreign Shares that the Selected Employee is entitled to subscribe is determined by the Remuneration Committee at its discretion according to each case.

The Remuneration Committee has the absolute right to determine and grant written instructions to the Trustee to allocate the following Incentive Shares and the dividend thereon to the Selected Employees:

- (i) any Incentive Shares held by the Trustee but unable to be subscribed by the Selected Employees due to their failure in satisfying the relevant vesting conditions for the exercise of the subscription right stated in the notice for the grant of the Incentive Shares;
- (ii) any Incentive Shares subscribed by the Selected Employees but repurchased according to the requirements of the Share Award Scheme;
- (iii) dividend on the Incentive Shares held by the Trustee but not subscribed by the Selected Employees and dividend on the Incentive Shares referred to in paragraph (ii) above.

The Remuneration Committee has the absolute right to determine and grant written instructions to the Trustee to sell the Incentive Shares referred to in paragraphs (i) and (ii) above and repay the loan provided by the Controlling Shareholder under the Share Award Scheme and the interests thereon by such sale proceeds and the dividends referred to in paragraph (iii) above. Any losses incurred by the Trustee due to sales of the Incentive Shares will be borne by the Controlling Shareholder.

Subscription

For the purpose of each Selected Employee, the Trustee will first subscribe for all the relevant Incentive Shares at the Issue Price within 3 business days after he/she has received the notice for the grant of the Incentive Shares. In respect of the Issue Price of each Incentive Share, it should be the net asset value per Share as set out in the audited consolidated financial statements of the Company in the last financial year immediately preceding the date when the Remuneration Committee notified the relevant Selected Employee of the award. In respect of the fund that is required for the subscription, the Controlling Shareholder will provide loans to the Trustee.

For the purpose of each Selected Employee, subject to the expiry of the vesting period for which it must fulfill prior to the exercise of the subscription right as stated in the notice for the grant of the Incentive Shares and the satisfaction of relevant vesting conditions for the exercise of the subscription right, he/she may exercise the right to subscribe for the Incentive Shares. Upon receipt of the notice by the Company from the Selected Employee to exercise the subscription right, the Trustee will appropriate and hold on behalf the relevant part of the Incentive Shares being subscribed above by the Selected Employee. The Selected Employee may opt to pay the Trustee the Issue Price to subscribe for the Shares. The Trustee will apply such amounts to repay such borrowing provided by the Controlling Shareholder together with interest thereon. The Selected Employee could also opt to accept the Trustee's borrowing from the Controlling Shareholder, the Selected Employee will undertake the principal of such borrowing provided by the Controlling Shareholder to the Trustee for such parts of the Incentive Shares together with the interest thereon from the date of the subscription, and such borrowing will become the borrowing by the Selected Employee from the Controlling Shareholder.

Disposal of Shares

For the purpose of each Selected Employee, upon satisfying the relevant vesting period and vesting conditions, and the Unlisted Domestic Shares or Unlisted Foreign Shares as subscribed have not yet become tradable, the Selected Employee may notify and instruct the Trustee in writing to repurchase all the Incentive Shares held by the Trustee for and on behalf of the Selected Employee at a repurchase price calculated based on the formula below, subject to the compliance of all the relevant laws and Listing Rules.

$$\text{Repurchase price of each Share} = 80\% \times \begin{array}{l} \text{the average closing price of H-shares} \\ \text{for the five trading days preceding} \\ \text{the date when the Selected Employee issued} \\ \text{such repurchase notice} \end{array}$$

The Controlling Shareholder undertakes to the Trustee that it will provide the required funds to the Trustee for the repurchase of Shares.

For the purpose of each Selected Employee, upon satisfying the relevant vesting period and vesting conditions, and the Unlisted Domestic Shares or Unlisted Foreign Shares as subscribed have then become tradable, the Selected Employee may notify and instruct the Trustee in writing to dispose of all the Incentive Shares held by the Trustee for and on behalf of the Selected Employee at the relevant exchanges, subject to compliance of all the relevant laws and Listing Rules. The net proceeds from such disposal, after deducting (i) all related expenses (including but not limited to stamp duty, brokerage fees, applicable levies and all other taxes payable by the Selected Employees, if any) and (ii) any outstanding amount with interests repayable by the Selected Employee to the Controlling Shareholder in relation to the loan provided by the Controlling Shareholders for the purchase of the Incentive Shares, will be returned to the designated bank account of the relevant Selected Employee within 14 business days after the completion of the disposal.

Dividends

For the purpose of each Selected Employee, in respect of the Incentive Shares that the subscription right has been exercised and held by the Trustee on behalf of the Selected Employee, the Selected Employee will be entitled to the right of dividend in the event that the Company distributes any dividend. A Selected Employee is not entitled to receive any dividend of the Incentive Shares held by the Trustee on behalf of the Selected Employee if the Selected Employee has not exercised the subscription right.

Voting Rights

The Trustee will not exercise the voting rights attached to any Incentive Shares held on behalf of a Selected Employee.

Lapse

- (A) In the event that a Selected Employee passes away or loses his/her civil capacity:
 - (a) the rights and benefits of all the subscribed Incentive Shares which have not been vested will be deemed to have lapsed;

- (b) in relation to the rights of the subscribed Incentive Shares which have been vested but not yet exercised and those Incentive Shares being held by the Trustee on his/her behalf, his/her legal representative (in the circumstance that he loses his/her civil acts capacity) or immediate family members (in the circumstance that the Selected Employee passes away) will be entitled the rights to exercise the subscription right under the same conditions, and the rights to repurchase, dispose of the Incentive Shares being held on his/her behalf. Upon any such subscription, given that the vesting conditions and/or additional conditions are unable to satisfy because of their actual circumstances, the Remuneration Committee will exercise its discretion to make other necessary arrangement.
- (B) For the purpose of each Selected Employee, in the event that the employment relationship between the Selected Employee and the Group is terminated without fault of the Selected Employee:
- (a) the rights and benefits of the subscribed Incentive Shares which have not been vested will be deemed to have lapsed;
 - (b) in relation to the rights of the subscribed Incentive Shares which have been vested but not yet exercised and those Incentive Shares being held by the Trustee on his/her behalf, the Selected Employee will be entitled to the right to subscribe such Incentive Shares, and the rights to repurchase, dispose of the Incentive Shares being held on his/her behalf. Upon any such subscription, given that the vesting conditions and/or additional conditions are unable to satisfy because of their circumstances, the Remuneration Committee will exercise its discretion to make necessary alternative arrangement.

However, in the event that the Selected Employee is being employed by a competitor of any member of the Group, all his/her rights under the Share Award Scheme will lapse forthwith:

- (i) the rights of all the vested and subscribed Incentive Shares which have not been exercised will be deemed to have lapsed;
- (ii) in relation to the Incentive Shares which have been subscribed and issued but the additional conditions after the subscription have not yet been fulfilled, the Trustee will have the discretion to mandatorily repurchase such Shares at the Issue Price.

For the funds that are needed in the repurchase, the Controlling Shareholder undertakes to the Trustee that it will provide funds for the repurchase.

- (C) For the purpose of each Selected Employee, in the event that the employment relationship between the Selected Employee and the Group is terminated with fault of the Selected Employee or owing to the initiative of the Selected Employee to resign, all his/her rights under the Share Award Scheme will lapse forthwith:
- (a) the rights and benefits of all the subscribed Incentive Shares which have not been vested will be deemed to have lapsed;
 - (b) the rights of all the vested and subscribed Incentive Shares which have not been exercised will be deemed to have lapsed;
 - (c) in relation to the Incentive Shares which have been subscribed and issued but the additional conditions after the subscription have not yet been fulfilled, the Trustee will have the discretion to mandatorily repurchase such Shares at the Issue Price.

For the funds that are needed in the repurchase, the Controlling Shareholder undertakes to the Trustee that it will provide funds for the repurchase.

Transfer

Selected Employee will not in any way transfer, sell, charge or mortgage over or in relation to the rights and benefits awarded to him relating to the Incentive Shares. In the event that the Selected Employee is in breach of this restriction, all the related rights will be withdrawn.

Termination

The Remuneration Committee may terminate the Share Award Scheme prior to its expiry. The termination of the Share Award Scheme will not affect any rights and benefits that have been acquired by the Selected Employee prior to the termination. The Remuneration Committee has the absolute discretion to determine how to deal with the undistributed assets which are not awarded to any Selected Employee at the time of termination.

Others

The Share Award Scheme will only become effective upon the approval by the shareholders at the general meeting. The Company will despatch to the shareholders as soon as possible a circular containing, further details about the Share Award Scheme, a notice convening the special general meeting, a notice of a general meeting for shareholders of the Unlisted Domestic Shares and a notice of general meeting for the H-shares shareholders.

Definitions

“Adoption Date”	the date on which the Share Award Scheme has been approved and adopted at the general meeting;
“Board”	the board of directors of the Company;
“Company”	Shandong Weigao Group Medical Polymer Company Limited, a joint stock limited company incorporated under the laws of the People’s Republic of China, the H-shares of which are listed on the Stock Exchange (stock code: 1066);
“Controlling Shareholder”	Weigao Holding Company Limited, holding 2,159,755,676 Unlisted Domestic Shares, representing 48.25% of the issued share capital of the Company as at the date of this announcement;
“Eligible Participant(s)”	any Employee (whether full time or part time, but excluding any Excluded Employees) of any member of the Group, or any person who, in the sole opinion of the Remuneration Committee, will contribute or have contributed to any members of the Group;

“Excluded Employee”	(i) any person not permitted under the applicable laws and regulations to participate in the Share Award Scheme; (ii) any person who in the opinion of the Remuneration Committee will be excluded; and (iii) any Employee who has tendered his/her resignation or who has been given a notice of dismissal to terminate his/her employment contract or service contract by any member of the Group but whose employment has not been terminated;
“Group”	the Company and its subsidiaries;
“H-share(s)”	the foreign-invested share of RMB0.10 each issued to sino-foreign investors by the Company as at the Adoption Date;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Incentive Share(s)”	in respect of each Selected Employee with a domestic or foreign identity, the subscription right of the Unlisted Domestic Shares or Unlisted Foreign Shares granted by the Remuneration Committee to such Selected Employee; the Unlisted Domestic Shares are to be subscribed by Selected Employees with domestic identities, and the Unlisted Foreign Shares are to be subscribed by Selected Employees with foreign identities;

“Issue Price”	in respect of each Incentive Share, the net asset value per Share as set out in the audited consolidated financial statements of the Company in the last financial year immediately preceding the date when the Remuneration Committee notified the relevant Selected Employee of the award; the Issue Price for the Incentive Shares held by the Selected Employees with domestic identities will be determined in RMB, the Issue Price for the Incentive Shares held by the Selected Employees with foreign identities will be determined in HK\$, and the exchange rate between RMB and HK\$ is based on the mid-price of the RMB exchange rate issued under the authorization of the People’s Bank of China on the business date preceding the date of such notice;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange;
“PRC”	the People’s Republic of China and for the purpose of this Share Award Scheme, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
“Remuneration Committee”	the remuneration committee established by the Board;
“Selected Employee(s)”	the Eligible Participant(s) selected by the Remuneration Committee to participate in the Share Award Scheme;
“Share Award Scheme”	the Employees’ Share Award Scheme proposed to be adopted by the Board, the principle terms of which have been set out in this announcement;
“Shareholder(s)”	the shareholders of the Company;
“subsidiary(ies)”	has the meanings as ascribed to it under the Companies Ordinance (Cap.622 of the Laws of Hong Kong);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“tradable”	the Unlisted Domestic Shares and Unlisted Foreign Shares in the capital of the Company which have been approved for conversion into H-shares or other securities issued by the Company and being listed on the Stock Exchange and/or other exchanges;
“Trustee”	in respect of any Selected Employee with a domestic identity, means the PRC entity holding the shares; or in respect of any Selected Employee with identity other than a domestic identity, means the offshore entity holding the shares. Both of which are to be considered as shareholders of the shares under the Share Award Scheme and their respective rights and obligations being exactly the same;
“Unlisted Domestic Share(s)”	the unlisted domestic shares of RMB0.10 each in the capital of the Company as at the Adoption Date;
“Unlisted Foreign Share(s)”	the unlisted foreign-invested shares of RMB0.10 each in the capital of the Company as at the Adoption Date.

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

Weihai, Shandong, the PRC, 15 August 2014

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*)

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*)