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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)

(1) PROPOSED GRANT OF SHARE AWARDS
(2) PROPOSED AMENDMENT OF ARTICLES

On 14 December 2020, the Company granted the Award Shares to the Grantees under the Share Award Scheme.

The issue and allotment of the Award Shares to the Grantees shall be subject to the following conditions:

- (i) the approval by the Independent Shareholders at the Extraordinary General Meeting in respect of the issue and allotment of the Award Shares; and
- (ii) the approval by the CSRC in respect of the Company's plans for the allotment and issue of the Award Shares.

A circular including, among others, details of the issue and allotment of the Award Shares with the advice of the Independent Financial Adviser will be despatched to the Independent Shareholders as soon as possible on or before 15 January 2021.

* For identification purpose only

PROPOSED GRANT OF SHARE AWARDS

On 14 December 2020, the Company granted the Award Shares to the Grantees under the Share Award Scheme. The details of the Grantees are as follows:

Name of Grantee	Position	Number of Award Shares
Grantees who are connected persons at the issuer level		
Long Jing	Executive Director and director of principal subsidiaries	6,000,000
Yue Chunliang	Supervisor of the Company	<u>300,000</u>
Sub-total		<u>6,300,000</u>
Grantees who are connected persons at the subsidiary level (the “Connected Employees”)		
Qiu Xiwen	Supervisor of a principal subsidiary of the Company	200,000
Qu Yun	Director and supervisor of principal subsidiaries of the Company	300,000
Yu Jinghua	Supervisor of a principal subsidiary of the Company	300,000
Wang Yongchang	Director of a principal subsidiary of the Company	400,000
Meng Linghong	Director of a principal subsidiary of the Company	500,000
Wang Xuqiang	Supervisor of principal subsidiaries of the Company	500,000
Yu Chunchi	Director of principal subsidiaries of the Company	500,000
Lu Jun	Director of principal subsidiaries of the Company	800,000
Lu Yonggui	Director of a principal subsidiary of the Company	800,000
Xia Xinrui	Director of a principal subsidiary of the Company	800,000
Lu Suyun	Director and supervisor of principal subsidiaries of the Company	1,000,000
Ma Shuhang	Director of principal subsidiaries of the Company	1,000,000
Wu Xuefeng	Supervisor of a principal subsidiary of the Company	1,200,000

Zhang Dehai	Director of a principal subsidiary of the Company	1,200,000
Zou Lisheng	Director of a principal subsidiary of the Company	1,200,000
Cong Rinan	Director of principal subsidiaries of the Company	2,000,000
Ju Hongfeng	Director and supervisor of principal subsidiaries of the Company	2,000,000
Sub-total		<u>14,700,000</u>
Other employees <i>(Note)</i>	–	<u>27,300,000</u>
Total		<u><u>48,300,000</u></u>

Note: “Other employees” comprise 64 employees. None of them is a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules).

The Share Awards to the Grantees have been approved by all the members of the Remuneration Committee.

CONDITIONS

The issue and allotment of the Award Shares to the Grantees shall be subject to the following conditions:

- (i) the approval by the Independent Shareholders at the Extraordinary General Meeting in respect of the issue and allotment of the Award Shares; and
- (ii) the approval by the CSRC in respect of the Company’s plans for the allotment and issue of the Award Shares.

FURTHER DETAILS OF THE SHARE AWARDS

Number of Award Shares : 48,300,000 Non-listed Domestic Shares
(non-listed Domestic Shares)

- Issue price of the Award Shares : RMB3.58, which is equivalent to the net asset value per H Share as set out in the audited consolidated financial statements of the Company in the last financial year immediately preceding the Date of Grant
- Market price of the Company's H Shares : the closing price of the H Shares on the Date of Grant was HK\$14.36 per H Share. The average closing price of the H Shares for the five consecutive trading days immediately preceding the Date of Grant was approximately HK\$14.32 per H Share
- Vesting period and performance targets : 20% of the Award Shares will be vested on each anniversary from the date of Grant subject to satisfaction of certain performance targets. In addition, the Award Shares are subject to a 36 month lock-up period from the date of allotment
- Fund raising activities in the past 12 months : the Company has not engaged in any other fund raising activities by any issue of new H Shares in the 12 months immediately preceding the date of this announcement

PROPOSED CONVERSION OF THE AWARD SHARES TO H SHARES

Under the Share Award Scheme, the Award Shares are Non-listed Domestic Shares.

Following implementation of the H Share Full Circulation and as at the date of this announcement, the Company does not have any Non-listed Domestic Shares in issue.

The Company will seek the CSRC's approval for conversion of all the Award Shares into H Shares.

Subject to obtaining the CSRC's approval for conversion of the Awards Shares into H Shares, application will also be made to the Stock Exchange in due course for the listing of and the permission to deal in 48,300,000 converted H Shares.

The proposed grant of the Award Shares is not conditional upon satisfaction of the conditions for conversion of the Award Shares to H shares. It is expected that the conversion will not take place until after the third anniversary of the Date of Grant.

If the conditions to the conversion into H shares are satisfied, then the number of converted H shares is set out below.

Name of Grantee	Position	Number of Award Shares	Number of H Shares to be converted	Approximate percentage to the existing number of H Shares in issue as at the date of this announcement	Approximate percentage to the number of H Shares as enlarged by the converted H Shares
Grantees who are connected persons at the issuer level					
Long Jing	Executive Director and director of principal subsidiaries	6,000,000	6,000,000	0.13%	0.13%
Yue Chunliang	Supervisor of the Company	300,000	300,000	0.01%	0.01%
Sub-total		21,300,000	21,300,000	0.14%	0.14%
Grantees who are connected persons at the subsidiary level (the “Connected Employees”)					
Wu Xuefeng	Supervisor of a principal subsidiary of the Company	1,200,000	1,200,000	0.03%	0.03%
Ma Shuhang	Director of principal subsidiaries of the Company	1,000,000	1,000,000	0.02%	0.02%
Xia Xinrui	Director of a principal subsidiary of the Company	800,000	800,000	0.02%	0.02%
Lu Suyun	Director and supervisor of principal subsidiaries of the Company	1,000,000	1,000,000	0.02%	0.02%
Wang Xuqiang	Supervisor of principal subsidiaries of the Company	500,000	500,000	0.01%	0.01%
Qu Yun	Director and supervisor of principal subsidiaries of the Company	300,000	300,000	0.01%	0.01%
Cong Rinan	Director of principal subsidiaries of the Company	2,000,000	2,000,000	0.04%	0.04%
Zou Lisheng	Director of a principal subsidiary of the Company	1,200,000	1,200,000	0.03%	0.03%
Meng Linghong	Director of a principal subsidiary of the Company	500,000	500,000	0.01%	0.01%
Lu Jun	Director of principal subsidiaries of the Company	800,000	800,000	0.02%	0.02%
Ju Hongfeng	Director and supervisor of principal subsidiaries of the Company	2,000,000	2,000,000	0.04%	0.04%
Wang Yongchang	Director of a principal subsidiary of the Company	400,000	400,000	0.01%	0.01%
Yu Chunchi	Director of principal subsidiaries of the Company	500,000	500,000	0.01%	0.01%
Zhang Dehai	Director of a principal subsidiary of the Company	1,200,000	1,200,000	0.03%	0.03%
Lu Yonggui	Director of a principal subsidiary of the Company	800,000	800,000	0.02%	0.02%
Qiu Xiwen	Supervisor of a principal subsidiary of the Company	200,000	200,000	0.00%	0.00%
Yu Jinghua	Supervisor of a principal subsidiary of the Company	300,000	300,000	0.01%	0.01%
Sub-total		14,700,000	14,700,000	0.33%	0.32%
Other employees (Note)	–	27,300,000	27,300,000	0.60%	0.60%
Total		48,300,000	48,300,000	1.07%	1.06%

Note: None of the Grantees who are employees are connected persons of the Company.

Upon conversion into H Shares, the Award Shares to be issued represent approximately 1.07% of the existing issued share capital of the Company as at the Date of Grant and approximately 1.06% of the issued share capital of the Company as enlarged by the issue of the Award Shares.

Based on the closing price of HK\$14.36 per H Share as quoted on the Stock Exchange as at the Date of Grant, the market value of the Award Shares was HK\$693,588,000 assuming full conversion into H Shares.

REASONS FOR THE SHARE AWARDS

(i) The grant of Award Shares

The Group did not have any option scheme or share incentive scheme from Listing until the adoption of the Share Award Scheme in 2014, which is for 5% of the issued share capital. The Board is of the view that it is important to retain and incentivise the Grantees to continue to lead the Group and to set and execute the strategies, so as to enhance the competitiveness of the Group and to maintain the Group's leading position in the medical device industry.

(ii) The grant of Award Shares to Mr. Long Jing

Mr. Long Jing joined the Group in July 2005 and was subsequently appointed as an executive Director in December 2018. He has been in charge of expanding the Group's sales team and sales network. Under Mr Long's leadership, the Group developed a network of key opinion leaders and the largest direct sales network covering top tier hospitals in China. With in-house training provided to sales team and also continuous professional trainings provided healthcare professionals, the Group has been able to maintain a strong team of professional sales personnel and customer base. With a dedicated and professional sales team, the Group has been able to take leading position in certain key products which are the growth drivers, such as specialised infusion sets, IV catheters and pre-filled syringes and pre-filled flush syringes.

(iii) The grant of Award Shares to Mr. Yue Chunliang

Mr. Yue Chunliang has served the Company for more than 14 years. He joined the Company in 2005 and has been a supervisor of the Company since 29 June 2016.

(iv) The grant of Award Shares to the Connected Employees

The Connected Employees have been with the Group ranged from 7 to 31 years. The 17 Connected Employees work in various departments of the Group including operation, production, supply chain management, quality control, marketing and sales, research and development, and finance.

Over the years, with the contribution of the Connected Employees, the Group outperformed in various areas and has strengthened the overall competitiveness and capabilities of the Group.

In view of the above, the Board consider that the grant of the Share Awards to the Grantees is in the interests of the Company and the Shareholders as a whole.

Mr. Long Jing who is a Director has abstained from voting on approving the relevant board resolution on the award of the Award Shares.

LISTING RULES AND OTHER REQUIREMENTS

(1) Listing Rules

Mr. Long Jing is a Director and Mr. Yue Chunliang is the supervisor of the Company and hence connected persons of the Company.

Each of the Connected Employees are directors or supervisors of the subsidiaries of the Company and hence connected persons at the subsidiary level of the Company.

The issue and allotment of the Award Shares to each of Mr. Long Jing, Mr. Yue Chunliang and the Connected Employees under the Share Award Scheme constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules and shall be subject to, among others, the approval by the Independent Shareholders at the Extraordinary General Meeting.

According to the terms of the Share Award Scheme, the grant of the Share Awards to a connected person of the Company is also subject to the approval by the Independent Shareholders.

(2) Other regulatory requirements

As advised by the PRC legal advisor of the Company, the Company's plans for the allotment and issue of Share Awards is subject to the approval of CSRC. In the submission to the CSRC, the Company is required to show that the allotment and issue of the Share Awards has been approved by the Board and the Shareholders respectively. As such, the allotment and issue of the Share Awards (irrespective of whether the Grantee is or is not a connected person) is subject to the approval of the Independent Shareholders.

GENERAL

An independent board committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders as to whether the Share Awards to the Connected Grantees are fair and reasonable and as to the voting in respect of the resolutions to be proposed at the Extraordinary General Meeting.

The Independent Financial Adviser has been appointed to advise the independent board committee and the Independent Shareholders in this regard.

Any Shareholder with a material interest and his/her/its associate(s) is (are) required to abstain from voting at the Extraordinary General Meeting to approve the Share Awards.

A circular including, among others, details of the issue and allotment of the Award Shares with the advice of the Independent Financial Adviser will be despatched to the Independent Shareholders as soon as possible on or before 15 January 2021.

PROPOSED AMENDMENT OF ARTICLES

To accommodate the issuance of the Award Shares, a proposal will be made at the Extraordinary General Meeting to amend the Articles. The proposed amendments to the Articles will be subject to the Shareholders approval at the Extraordinary General Meeting. Details of the proposed amendments will be set out in the circular to be despatched to the Shareholders.

DEFINITIONS

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

“Articles”	articles of association of the Company;
“associate”	has the same meaning ascribed to it under the Listing Rules;
“Award Shares”	an aggregate of 48,300,000 Non-listed Domestic shares, of which (i) 6,300,000 Non-listed Domestic shares will be granted to the Connected Grantees, who are connected persons at the issuer level; (ii) 14,700,000 Non-listed Domestic shares will be granted to the Connected Employees, who are connected persons at the subsidiary level; and (iii) 27,300,000 Non-listed Domestic shares will be granted to the employees who are not connected persons of the Company;
“Board”	the board of the Company;
“Company”	Shandong Weigao Group Medical Polymer Company Limited* (山東威高集團醫用高分子製品股份有限公司), a joint stock limited company incorporated in the People’s Republic of China with limited liability and the H Shares of which are listed on the Stock Exchange;
“Connected Employees”	the Grantees who are connected persons excluding Directors or supervisor of the Company;
“Connected Grantees”	Mr. Long Jing, Mr. Yue Chunliang and the Connected Employees;
“connected person”	has the same meaning ascribed to it under the Listing Rules;

“CSRC”	China Securities Regulatory Commission;
“Date of Grant”	14 December 2020, the date on which the Remuneration Committee resolved to grant the Share Awards to the Grantees;
“Directors”	the directors of the Company;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and to consider and, if thought fit, approve, the grant of the Share Awards and the proposed amendments to the Articles;
“Grantees”	the grantees of for the grant of the Award Shares, the detail of which are set out in the section headed “PROPOSED GRANT OF SHARE AWARDS” of this announcement;
“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 PRC;
“H Share”	shares of the Company with a nominal value of RMB0.10 each, which are traded in HK\$;
“H Share Full circulation”	the conversion of the domestic shares of the Company into H shares and the listing thereof, which was announced by the Company on 10 July 2018;

“Independent Financial Adviser”	Halcyon Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO, the independent financial adviser appointed by the Company to advise the Independent Shareholders in respect of the proposed issue of the Award Shares to the Grantees;
“Independent Shareholders”	with respect to each resolution to be proposed at the Extraordinary General Meeting, Shareholders other than the relevant Grantee and his/her respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MOFCOM”	the Ministry of Commerce of the PRC;
“Non-listed Domestic Shares”	the non-listed domestic shares of RMB0.10 each in the capital of the Company
“PRC”	the People’s Republic of China;
“Remuneration Committee”	the Remuneration Committee of the Board;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share Awards”	the grant of the Award Shares to the Grantees under the Share Award Scheme;
“Share Award Scheme”	the share award scheme adopted by the Company on 17 November 2014;

“Shareholder(s)” holder(s) of the H Share(s);

“Stock Exchange” The Stock Exchange of Hong Kong Limited; and

“%” per cent.

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

* *For identification purpose only*

Weihai, Shandong, the PRC, 14 December 2020

As at the date hereof, the Board comprises of:

Mr. Zhang Hua Wei (*Executive Director*)

Mr. Long Jing (*Executive Director*)

Mr. Wang Yi (*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*)