



威高股份上市二十周年

20th Anniversary of Shandong Weigao's listing on HKEx

WEGO 威高

2023 Results

Mar 26 2024

CONSCIENCE | INTEGRITY | LOYALTY

The Leading Total Solutions Provider in the PRC Medical Devices Sector

WEGO 威高

- ◆ Business Review
- ◆ Financial Performance
- ◆ Development Strategy
- ◆ Q&A



威高股份上市二十周年
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WEGO 威高

Business Review



威高股份上市二十周年
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2023 operational highlights

High-quality Development & Strong Cashflow

- Revenue was RMB 13.2 bn, a 3.8% YoY decrease, or slight increase if excluding revenue from covid-related business. Net profit from operating was RMB 1.98bn, a 29% decrease.
- Focus on **High-quality Development**. Operating cashflow grew by 5% to RMB2.8bn. **Free cashflow grew 34% to RMB2.2bn, reaching a record high**

Significant increase in sales volume of main products

- **Consumables**: Seize the opportunity of volume procurement and quickly deploy the Tier-2 hospital market. Volume growth continued to exceed 20% for each main product.
- **Orthopedic**: The volumes of hospital surgeries on joints, trauma and spine have all increased by over 20%
- **Pharma packaging**: Sales volume of flushing syringe has increased by more than 30%

New growth drivers

- We will continue to improve product portfolio and expand into new business areas, including life information and support, endocrine chronic disease management, endoscopic diagnosis and treatment, digital clinical care products, rehabilitation, injection pens, etc.
- We have completed the acquisition of Zhejiang Quantum, expanding into the field of minimally invasive spine treatment

Internationalization Strategy Continues

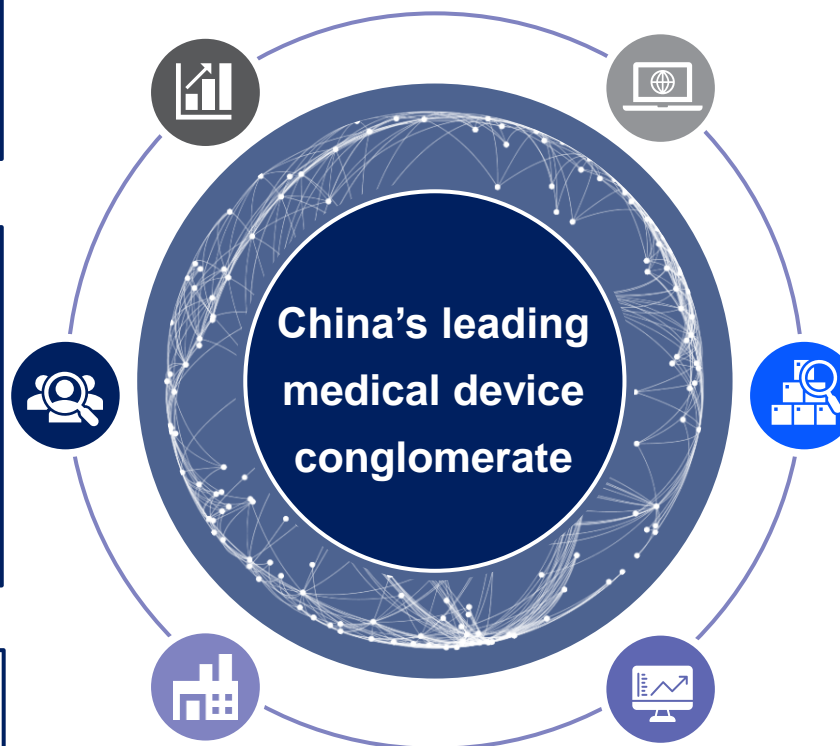
- We continue to promote internationalization and actively explore overseas markets. In 2023, revenue from overseas market is RMB3.4bn, accounting for 26% of total revenue with an increase of 7%. The pharma packaging and blood management segments have achieved high growth in the overseas market
- In 2023, there are 79 new overseas employees, bringing the number of overseas employees to 1,337, accounting for 11% of total employees

Continue to increase R&D investment

- In 2023, R&D expense is RMB593mn, with a YoY increase of 7%. The R&D expense to sales ratio has increased to 4.5%
- By the end of 2023, we have a total of 818 domestic product registration certificates, 794 overseas product registration certificates, 965 domestic patents and 192 overseas patents

Dividend increase

- Interim dividend decreased due to profit decline, with the 30% payout ratio in 2023 as last years
- The Board proposed to increase the dividend ratio to 40% since the full year of 2023 to better reward shareholders, with the total amount of dividends reaching a record high. The proposed final dividend is RMB0.0943, with a YoY increase of 19.4%
- The Board will continue to emphasize Shareholders' Return



Review of business segments – Medical device products

Medical device products



- ❖ In 2023, the revenue of medical device products is RMB7.00bn, with a YoY of **10%** after deducting the impact of the high base of epidemic prevention materials. The sale volume growth rate of main products **continuously exceeds 20%**, with a continuous increase in market share
- ❖ The operating profit is RMB1.05bn, which basically remained flat as compared with 2022. The operating margin is 15% (a decrease of 4pp YoY). After deducting the impact of foreign exchange gains and losses, the operating margin decreased by 2pp, reflecting the impact of lower price caused by volume-based procurements
- ❖ On the basis of general consumables, we continue to improve our product portfolio and expand into new business areas, including life information and support, endocrine chronic disease management, endoscopic diagnosis and treatment, digital clinical care products, rehabilitation, etc.

Subsector	Development opportunities and roadmaps
General consumables	<ul style="list-style-type: none"> • Improve the product portfolio based on infusion consumables and maintain an absolute leading position in the market with comprehensive advantages in terms of scale, brand, quality, R&D and cost • Widely cover the tertiary hospital market and seize the opportunity of volume-based procurements to quickly deploy the secondary hospital market and increase the penetration rate • The sales volume of main products continues to maintain a growth rate of over 20%
Life information and support	<ul style="list-style-type: none"> • The anesthesia machine series is expected to get registration certificates in mid-2024, and the product series of ventilators, monitors and infusion pumps will be developed simultaneously. Strive to be among the first echelon in China in 5-10 years • Promote the development of related consumables with high-end equipment and provide overall solutions for clinical practice
Endocrine chronic disease management	<ul style="list-style-type: none"> • Take blood glucose detection and insulin injection pen as the core business, enter strategically the field of CGM continuous blood glucose monitoring system products and rank among the first echelon in China in 5 years • Develop a series of chronic disease management products supplemented by uric acid, blood ketones, blood lipids, and blood pressure through independent R&D
Endoscopic diagnosis and treatment	<ul style="list-style-type: none"> • Build a technology platform of endoscopy and supporting equipment and take special spectral optical diagnostic imaging technology as the entry point. The product portfolio of microscopic diagnosis and treatment system has been approved successively • Enter the first echelon of the endoscopy industry in 5-7 years
Digital clinical care products	<ul style="list-style-type: none"> • Based on a comprehensive and deep understanding of clinical care, create clinical care digital products that combine software and hardware and become the first echelon in the subsector • Improve the normalization and standardization level of clinical care, reduce the work intensity of medical staff and reduce personnel costs • Build synergy with the sales of clinical care series products and further enhance the competitiveness of the overall industry

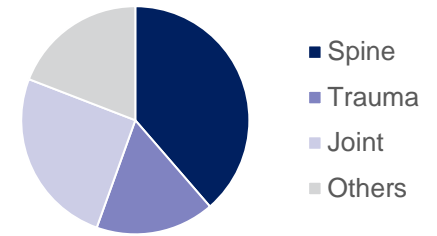
Review of business segments – Orthopedic products

Orthopedic products



- ❖ In 2023, the revenue of Orthopedic products is RMB1.27bn (-38% YoY). Prices, revenue and profits are affected by volume-based procurements
- ❖ Continuously increase market share. With enhanced industry position, the number of terminal surgeries using our main products has increased by over 20%
- ❖ In September, we won the bid for all lines in centralized volume-based procurements of inter-provincial alliance Orthopedic trauma medical consumables with an ideal price
- ❖ In December, we won the bid for all lines in volume-based procurements of the national sports medical consumables with breakthrough achieved in absorbable anchor products

Revenue breakdown of Orthopedic products in 2023



Business strategy in 2024	Detailed execution
Marketing strategy sales model transformation to increase market share	<ul style="list-style-type: none"> • Dual-model: "Platform distribution + service" model & distribution model; focus on leading hospitals and cover long-tail hospitals with distribution model • Build a flat sales organization and increase per capita revenue • Refine performance management and increase promotion of "innovative product portfolio". • Give full play to the advantages of the comprehensive Orthopedic production lines to improve the cross-selling mechanism and increase sales amount
R&D strategy Product spotlight	<ul style="list-style-type: none"> • Regular R&D projects under development: Priority will be given to supporting R&D projects of key product lines • Strategic layout projects: Focus on supporting new materials, 3D printing, active medical devices, Orthopedic rehabilitation, pain management, Orthopedic robots, etc. • Actively undertake national projects: 6 projects of the National Key R&D Program, 2 projects of the Ministry of Industry and Information Technology, and 3 projects of "Open competition mechanism to select the best candidates" • 2024 goal: Regular products to get registration certificates in 2024: 30 certificates for category III and 20 certificates for category II. The completion progress of each R&D project is greater than 80%
Production strategy Digitalization & Costs reduction and efficiency improvement	<ul style="list-style-type: none"> • Digital transformation: Manufacturing MES and SCADA software will be launched with transformed business process and transparent, visualized and quickly responded manufacturing process • Continuously substitute imported material to reduce material costs • Continuous management improvement, automation transformation, lean production, efficiency improvement of equipment and personnel, detailed control of manufacturing expenses, and costs reduction • To increase per capita output value by 5%, reduce manufacturing cost by 5% and move 80% of the manufacturing business to online in 2024
Organization strategy Optimization & Efficiency improvement	<ul style="list-style-type: none"> • To adjust the marketing structure, compress the organizational level, reduce staff by 114 people and improve efficiency • To expand platform-based operations, share back-office functions and integrate resources • To simplify business models and internal processes

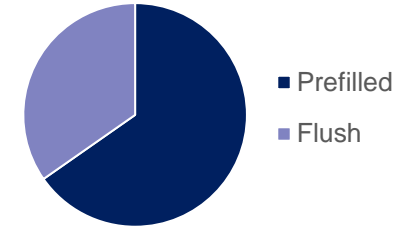
Review of business segments – Pharma packaging

Pharma packaging

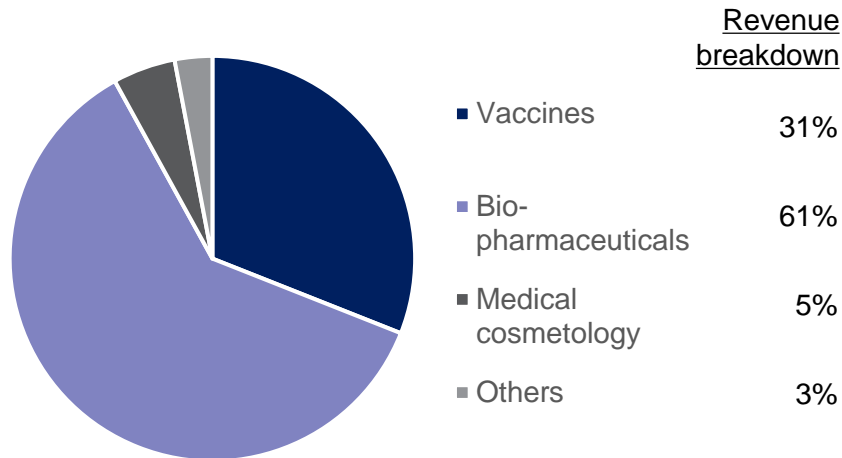


- ❖ In 2023, the revenue of pharma packaging is RMB2.02bn (-4% YoY), and the operating profit is RMB812mn (-3.9% YoY)
- ❖ After excluding the direct impact of COVID orders in the same period, revenue basically remained flat. Besides, in the post-COVID era, the sales of some terminal drugs were also affected, which was lower than expectation
- ❖ Prefilled syringes accounted for about 2/3 of pharma packaging revenue, with market share of over 70%. We have vigorously explored overseas markets
- ❖ We have actively deployed new products such as injection pens and cooperated with over 20 clients at various R&D stages
- ❖ Sales of flushing syringes increased by over 30%, offsetting the impact of lower price by volume-based procurements

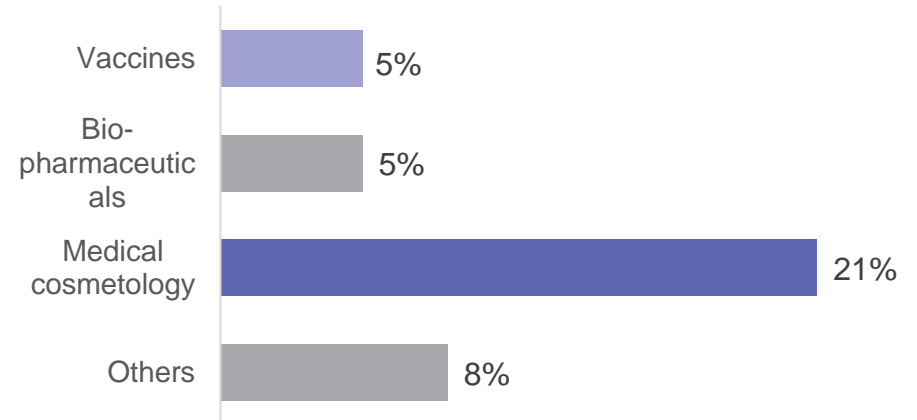
Revenue breakdown of pharma packaging in 2023



Prefilled syringe medicine breakdown in 2023



2024E market CAGR (By client category)



Review of business segments – Interventional products

Interventional products



- ❖ In 2023, the revenue of interventional products is RMB1.93bn (+11% YoY), lower than the expectation
- ❖ The domestic market grew by 6%, due to the one-time impact of volume-based procurements and stockouts
- ❖ The operating profit of interventional products is RMB515mn¹, which remained flat as compared with 2022. The EBITDA margin is 28.5%, slightly lower compared with 2022
- ❖ Continuously upgrade new products, improve the supply chain and focus on developing potential markets such as Europe and China



Blockbuster products

#1 in the market

TLAB

Transjugular liver
biopsy system



#2 in the market

BioPince Ultra

Full-core
biopsy needle



#3 in the market

T-LOK

Bone marrow
biopsy needle



Other main products

#3 in the market

SuperCore

Semi-automated
biopsy needle



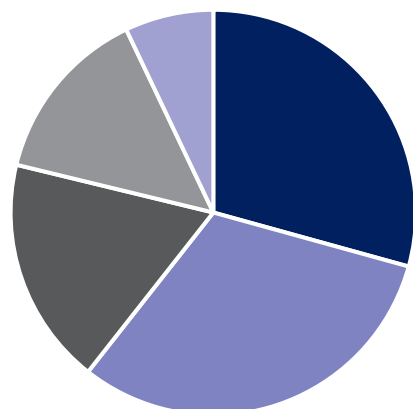
#8 in the market

Tru-Core II

Fully automated
biopsy needle

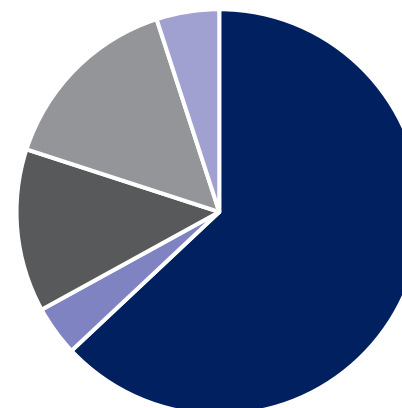


Revenue breakdown of
interventional products in 2023
(By product)



Product Category	Revenue Breakdown (%)
Biopsy	29%
Blood vessel intervention	31%
Drainage	18%
Guiding wire and attachments	14%
Others	7%

Revenue breakdown of
interventional products in 2023
(By geography)



Geography	Revenue Breakdown (%)
North America	63%
Latin America	4%
Europe	13%
China	15%
APAC	5%

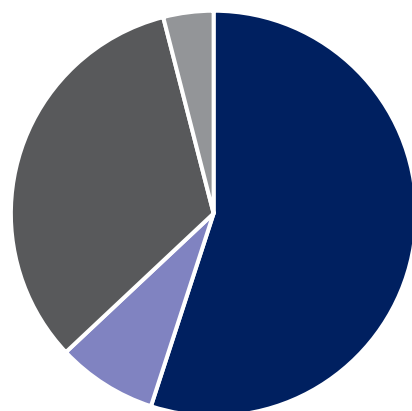
Review of business segments – Blood management

Blood management



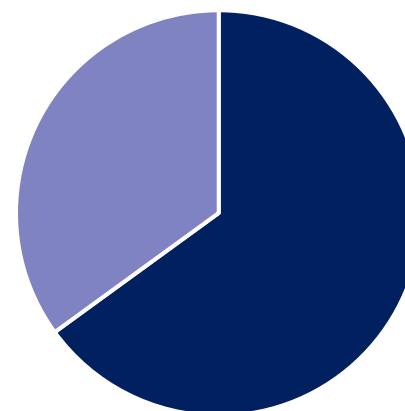
- ❖ In 2023, the revenue of blood management is RMB1.04bn (-5% YoY) and the profit is RMB120mn (-44% YoY)
- ❖ The revenue of consumables such as blood bags was basically flat, accounting for 2/3 of the revenue of blood management. Among it, overseas export sales has grown rapidly and exceeded RMB80mn, accounting for 12% of the blood bag business with strengthened export competitiveness
- ❖ Revenue from Rad Source blood irradiation equipment fell by 14% YoY, accounting for 1/3 of the blood management revenue, mainly due to the weak market with the reduction of government medical spending in the post-COVID era in the United States. Meanwhile, the new plant in U.S. was put into operation later than expected, which affected production capacity. We will continue to develop applications in the fields of agricultural products and scientific research, which has great growth potential
- ❖ Based on the market advantages of comprehensive blood collection consumables and equipment, we continue to improve our product portfolio in blood preparation, platelet apheresis, blood testing, etc., and improve the comprehensive service capabilities of blood stations

Revenue breakdown of blood management in 2023
(By geography)



Category	Revenue breakdown
Consumables - domestic	55%
Consumables - overseas	8%
Irradiation machines - overseas	35%
Irradiation machines - domestic	4%

Revenue breakdown of blood management in 2023
(By segment)



Category	Revenue breakdown
Consumables	65%
Irradiation machines	35%

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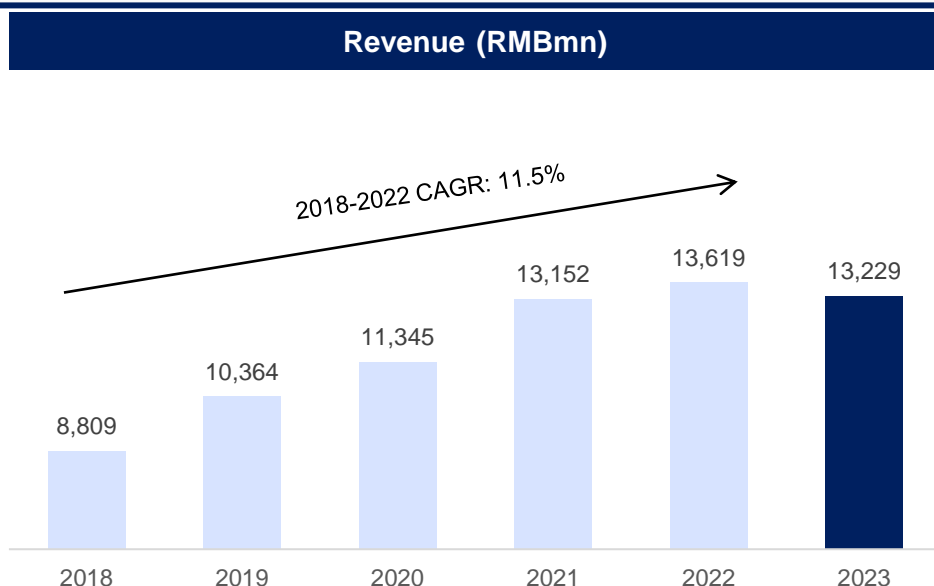
Financial Performance



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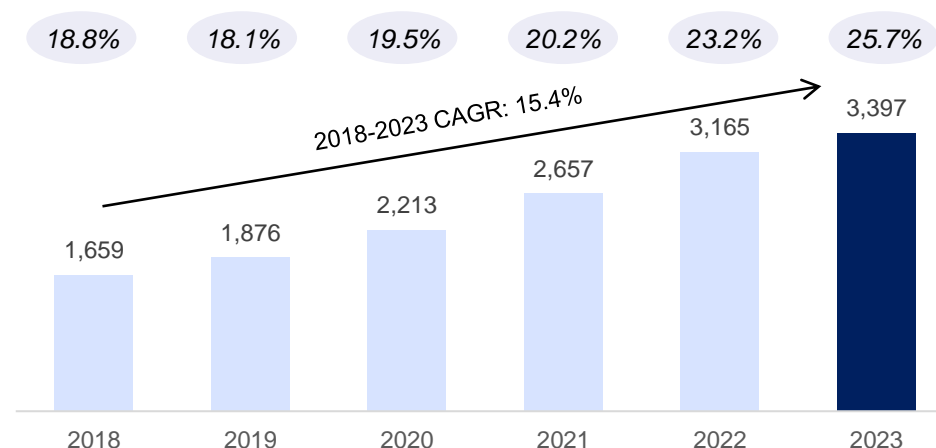
Key financials

Revenue (RMBmn)



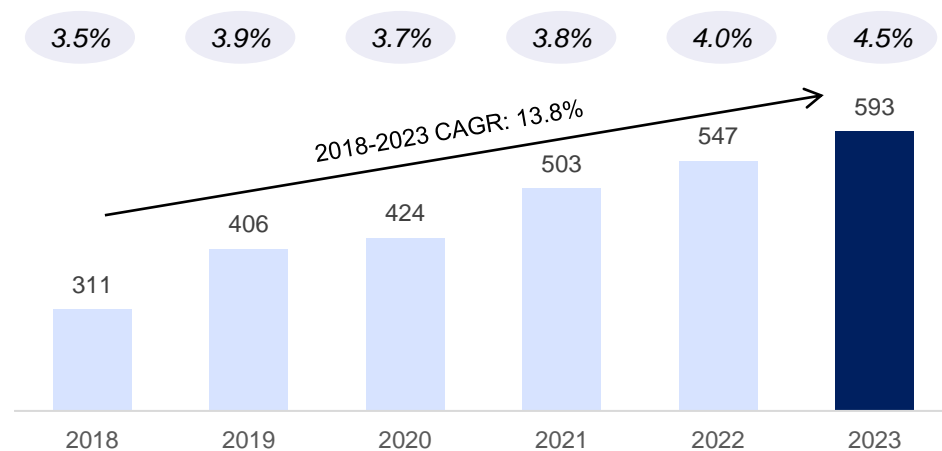
Overseas sales (RMBmn) and percentage (%)

Percentage of overseas sales (%)

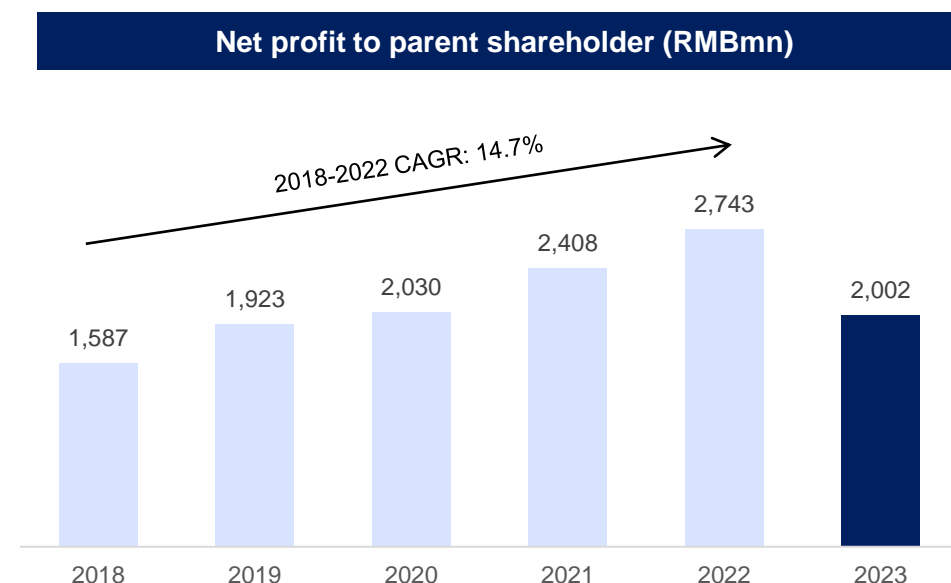


R&D expenses (RMBmn) and ratio (%)

R&D expense ratio (%)



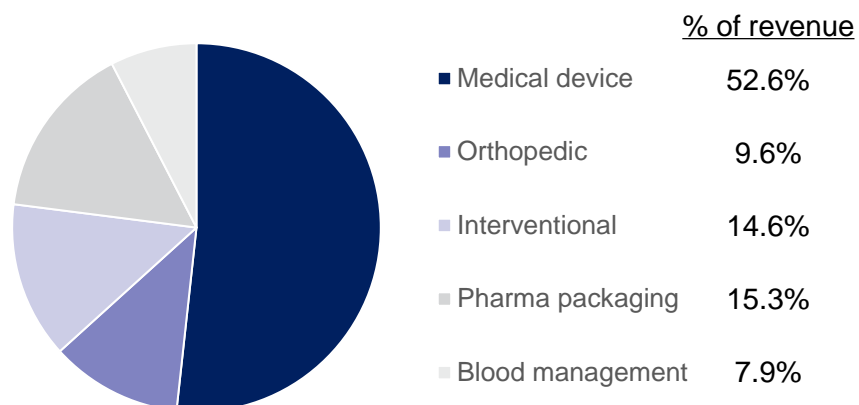
Net profit to parent shareholder (RMBmn)



Revenue and profit breakdown (by business segment)

Revenue breakdown

2023

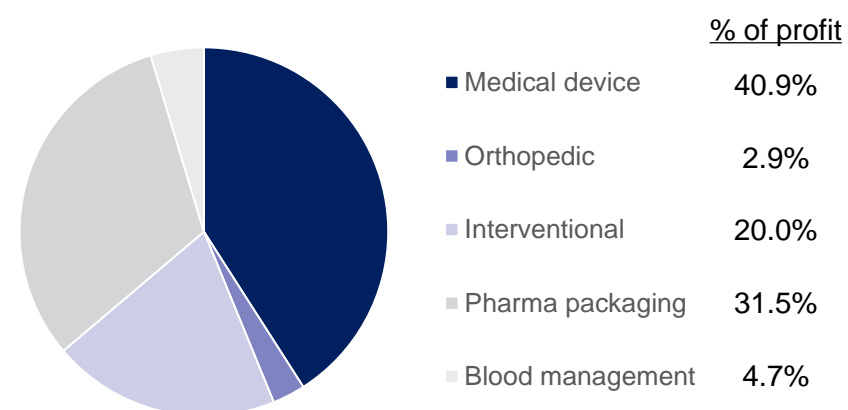


Revenue by business segment (RMBmm)

	2023	2022(Restated)
Medical device products	6,961	6,780
Orthopedic products	1,271	2,038
Interventional products	1,931	1,726
Pharma packaging products	2,024	2,105
Blood management	1,042	1,098
Total	13,229	13,747

Segment profit breakdown

2023



Profit by business segment (RMBmm) ¹

	2023	2022
Medical device products	1,054	1,298
Orthopedic products	74	576
Interventional products ²	515	524
Pharma packaging products	812	896
Blood management	120	211
Total	2,575	3,505

Note:

1. The above figures are only for the purpose of reflecting the trend at the operational level of the Company, excluding certain non-recurring items. The specific figures are subject to performance reports

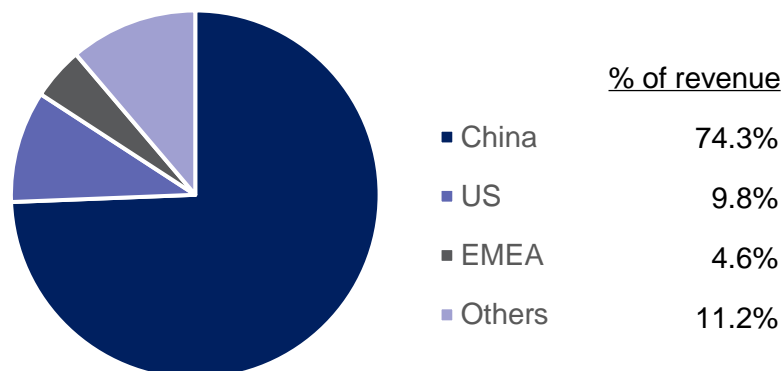
2. segment operating profit excludes interest expenses and amortization of intangible asset

Geographic presence of the business

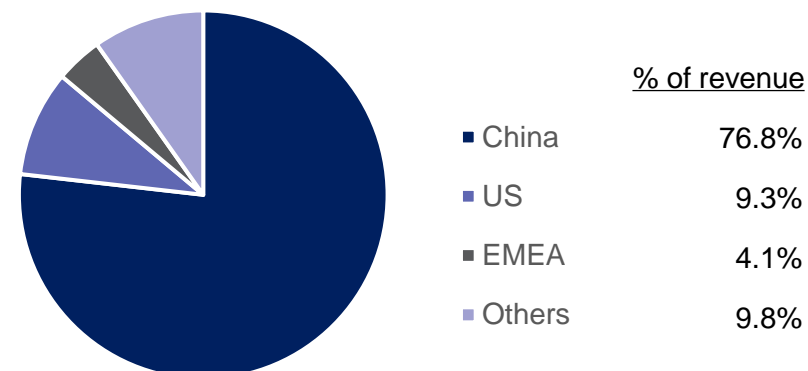
- In 2023, sales from overseas operation was RMB3.4bn, accounting for 26% of total revenue, with a year-over-year growth rate of 7%. Our competitiveness in the overseas market continuously improves
- Pharma packaging and blood management products have made great breakthroughs in South Asia and Latin America, with a steady increase in market shares
- We have set up an office in Singapore to strategically explore the potential of the Southeast Asian market

Geographic presence

2023



2022



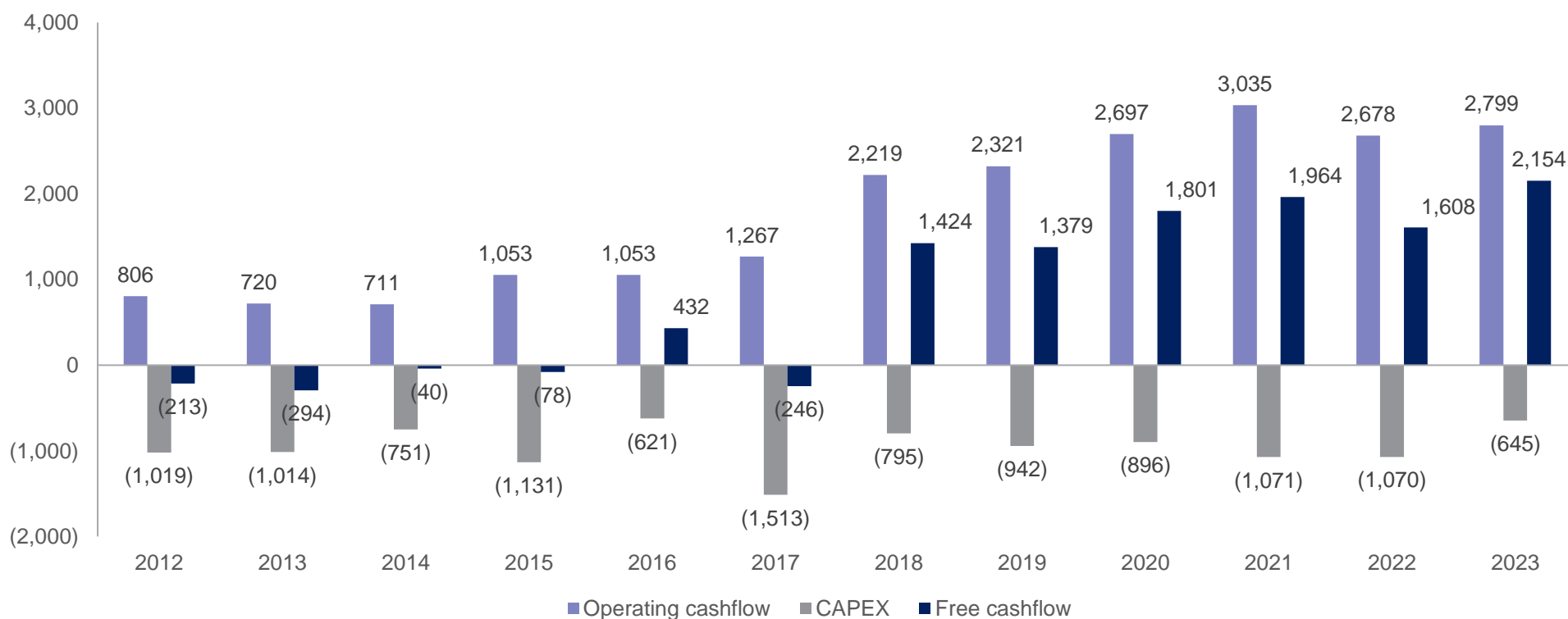
Revenue by geography (RMBmm)

	2023	2022(Restated)	YoY growth (%)
China	9,832	10,582	-7.1%
US	1,301	1,272	2.2%
EMEA	611	563	8.5%
Others	1,485	1,330	11.7%
Total	13,229	13,747	-3.8%

Cashflow and CAPEX

- Despite the pressure on net profit, operating cashflow increased by 5% to RMB2.8bn in 2023. Excluding non-recurring factors in 2022, operating cashflow was flat compared to the same period last year
- Free cashflow reached RMB2.2bn at a record high, with a year-over-year growth rate of 34%
- Operating cash flow has grown and CAPEX has stabilized, Company has recorded positive free cashflow for **6** consecutive years since 2018

Cashflow and CAPEX (RMBmn)^{1,2}



Notes:

1. After deduction of one-time cash outflow 460 RMBmn for product litigation in 2022

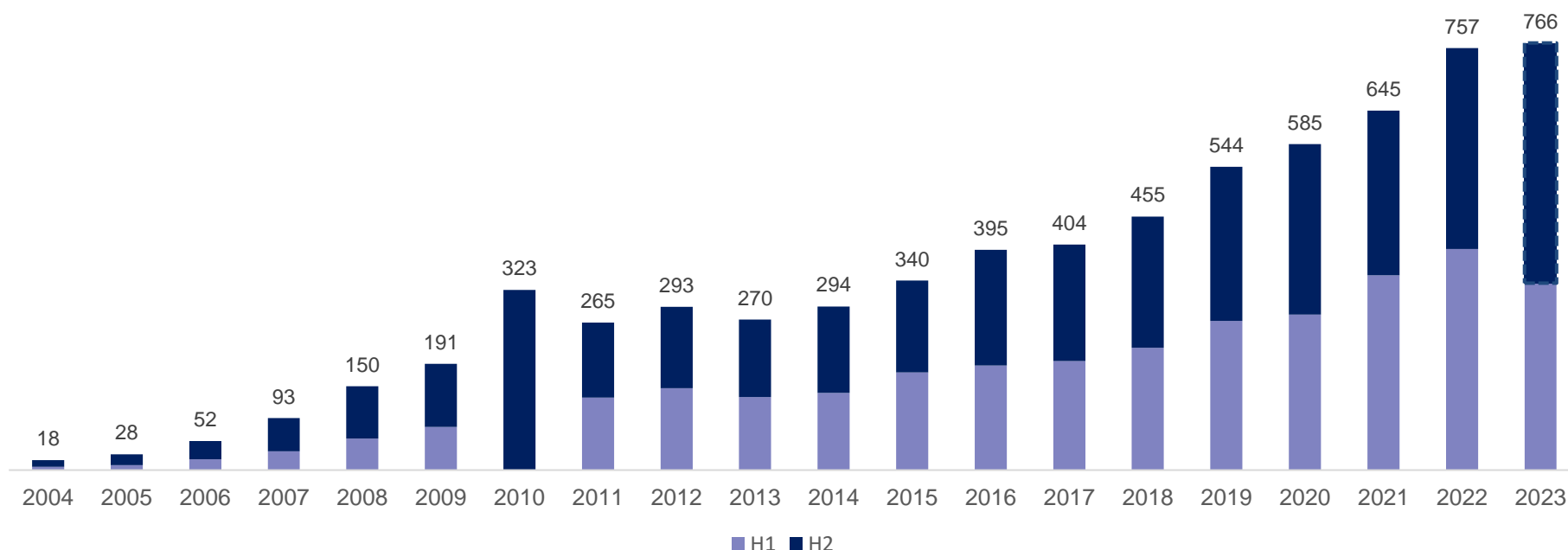
2. Not including the impact of accounting restatement of business under the same control during 2012-2022

The above figures are only for the purpose of reflecting the trend at the operational level of the Company. The specific figures are subject to performance reports

Increased dividend ratio

- Our cash dividend ratio has been maintained at 30%¹. In the first half of this year, dividends decreased year-on-year due to the decline in profits
- Following shareholder suggestions and considering robust operating cashflow and free cashflow, the board of directors proposed to significantly increase the dividend ratio for the full year of 2023 to 40%. The total dividend for the year is expected to reach RMB766mn, reaching a record high

Total dividend (RMBmn)^{2,3}



Notes:

1. The dividend ratio is based on net profit at the operating level, excluding certain non-recurring non-cash profit
2. In the first half of 2010, the Board of Directors proposed the issuance of bonus shares, one bonus share for each existing share held. In the second half of 2010, the Directors proposed the payment of a final dividend of RMB0.075 per share for the year ended 31 December 2010, in total of RMB161.442mn, and the actual dividend for the second half of 2010 was RMB322.884mn
3. The 2023 final dividend is subject to the approval of the General Meeting of Shareholders

Other financial data

Other financial data

		2023	2022
Working capital	Inventory turnover in days ¹	132	113
	Account receivable turnover in days ¹	152	138
	Account payable turnover in days ¹	95	93
Cash and debt	Cash and bank balances (RMBbn)	6.99	6.86
	Total debt (RMBbn)	4.17	4.36
	Net cash (Net debt) (RMBbn)	2.82	2.50
Leverage analysis	Total debt/EBITDA (x)	1.2x	1.0x
	Net debt/EBITDA (x)	Net cash	Net cash
	Interest coverage ratio ² (x)	13.0x	21.9x
Current ratio and return analysis	Current ratio	2.5x	3.0x
	ROE ⁴	9.0%	13.4%
	ROA ⁴	6.1%	9.2%

Notes:

1. Average working capital days, accounts payable turnover days have taken the impact of notes payable into account
2. Interest coverage ratio = EBITDA/financing costs
3. Not including the impact of accounting restatement of business under the same control in 2022
4. After deduction of dilution of Group's interest in Weigao Blood Purification, after-tax income recorded from land and housing recycled by government and after-tax expense for product liability claims in 2022; After deduction of the after-tax income of product liability claims insurance compensation in 2023, and the half-year ROE and ROA are calculated based on the annualized net profit

The above figures are only for the purpose of reflecting the trend at the operational level of the Company. The actual figures are subject to performance reports

Appendix - Non-IFRS Adjustment

Unit: RMBmn	2023 ²	2022 (Restated) ^{1,2}	Change
Revenue	13,229	13,747	-3.8%
Revenue (Net of 2022 epidemic prevention related)	13,229	13,100	1.0%
Net profit attributable to shareholders	2,002	2,764	-27.6%
Insurance proceeds after tax	19.5		
Issuance of new shares by Weigao Blood Purification, profit recognized due to dilution		100.4	
2 land parcels resumption		57.5	
Product Liability Indemnification		-177.3	
Adjusted net profit attributable to shareholders	1,983	2,783	-28.8%
Exchange gains and losses	-16.6	138.3	
Adjusted net profit attributable to shareholders (Net of Exchange gains and losses)	1,997	2,666	-25.1%
Net operating cashflow	2,799	2,294	22.0%
Adjustment: non-recurring items		384	
Adjusted net operating cashflow	2,799	2,678	4.5%

Notes:

- In 2023, Weigao Orthopedics, a subsidiary of the Company, acquired 100% equity interest in Shandong Weigao New Life Medical Device Co., Ltd., a fellow subsidiary of the Company. According to accounting standards, the revenue of Shandong Weigao New Life Medical Device Co., Ltd. and net profit attributable to owners of the Company included after accounting restatement in 2022 were approximately RMB13,747,473,000 and RMB2,764,093,000 respectively
- Excluding special items, the profit for the year attributable to the owners of the Company was approximately RMB1,982,432,000. The special items in 2023 is the after-tax income of approximately RMB19,474,000 from insurance compensation for a product liability claim attributable to the owners of the Company (2022 Special items: Shandong Weigao Blood Purification Products Co., Ltd. ("Weigao Blood Purification") issued new shares to investors, and the equity owned by the Company was diluted from 28.0871% to 26.55%, resulting in a gain of approximately RMB100,398,000; The government recovered the right to use 2 state-owned construction lands and the above-ground buildings, structures and other ancillary facilities, and the Company recorded an after-tax income of approximately RMB57,549,000; and the after-tax expenses of one product liability claim attributable to the owners of the Company was approximately RMB177,306,000)

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Development Strategy



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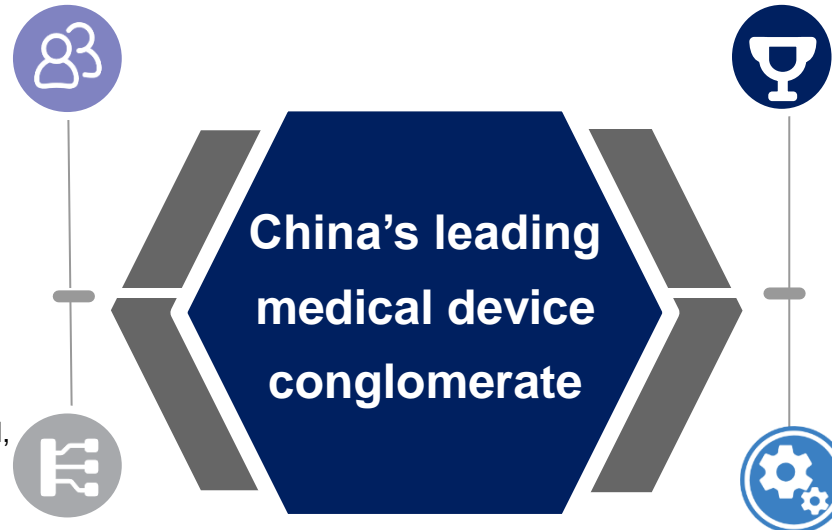
Key competitiveness to maintain industry leadership

Corporate culture, reputation and impact

- Always follow the corporate culture of conscience, integrity and loyalty to meet clinical needs
- There is strong demand in the market for our products. The implementation of volume-based procurement has facilitated the efficiency improvement along the industry chain of medical equipment and consumables, which is greatly beneficial for the Company in boosting market share

Solid Manufacturing Foundation

- Notable advantage in automation, material science, cost control, capacity, quality control, etc., and eligible for volume-based procurement in terms or requirement on both price and quality
- Continue to enhance the digital development in manufacturing, and actively strengthen foothold in new materials and technologies to maintain and enhance the competitiveness of manufacturing



Open and inclusive platform

- Promote the synergy and resource sharing between segments, stimulating flexibility and vitality of each sector to the fullest
- Actively cultivate and develop new business segments, which may become new growth drivers

Customer and distribution channel resources

- Create an outstanding marketing system adaptive to domestic market, improving channel advantages through continuous channel integration
- Continue to diversify product portfolio through R&D, cooperation with global parties, M&A, and aim to fully utilize the channel advantages

In response to the policy changes, competition landscape, clinical demands and the accumulation of resources, WEGO proposed the three operational strategies – “platform-based”, “international” and “digital” development, and two guarantee strategies – “talents” and “innovation”



Platform-based development – unleash the advantages of an open, inclusive, and collaborative platform

- Build a diverse product ecosystem and an efficient collaborative organizational structure, achieving greater economies of scale
- Deliver comprehensive product solutions that exceed customer expectations and expand product lines while perfecting each product to its finest



International development – maintain WEGO's leading position domestically and achieve collaborative development across the borders

- Through strategic investment and licensing-ins, we bring high-end medical devices and cutting-edge technologies to China
- Explore overseas opportunities actively. WEGO hopes to move from being a Chinese exporter to becoming a multinational corporation. The Company's goal is to achieve a globalization rate of over 50% in the next 10 years



Digital development – improve management capability to new heights with the digital strategy and explore new opportunities for growth

- Continue to improve digital management capabilities, enhance our edge in production, R&D, and marketing operations
- Expand the digital product portfolio, such as Mobile Nursery Management Software, and explore new growth opportunities



Talents – establish a talent incentivization framework

- Attract and cultivate top-tier talents, build a comprehensive talent incentive framework to engage and inspire our employees, to unleash their creativity



Innovation – boost innovation capabilities and achieve sustainable growth

- Iteration of existing products: to improve functionality, utilize new materials, and lower production costs
- New products: Established R&D centers in Shanghai and Suzhou, recruiting R&D talents, focusing on tackling key technological challenges and developing major breakthrough products
- Via fund investment, to stay ahead of industry trends and invest for the future

Key strategic initiatives

- Systematic construction of platform-based operation foundation and capabilities and platform-based cornerstone structure
- Improve the role of organization and operations in supporting strategy implementation
- Strengthen the coordination of various business segments to better cultivate new business growth points

Platform-based development – sales platform integration

- ❖ Continue to promote sales channel integration, and redirect marketing resources on core customer development and retention. The Company has seen increasing penetration rate among the key clients (especially the tertiary hospitals)
- ❖ Continue to expand into new markets and seize the enormous potential brought by VBP. WEGO rapidly increased the customer outreach to include more county-level hospitals and established more city-level satellite offices, demonstrating the unwavering commitment to providing exceptional customer services to hospitals at all levels



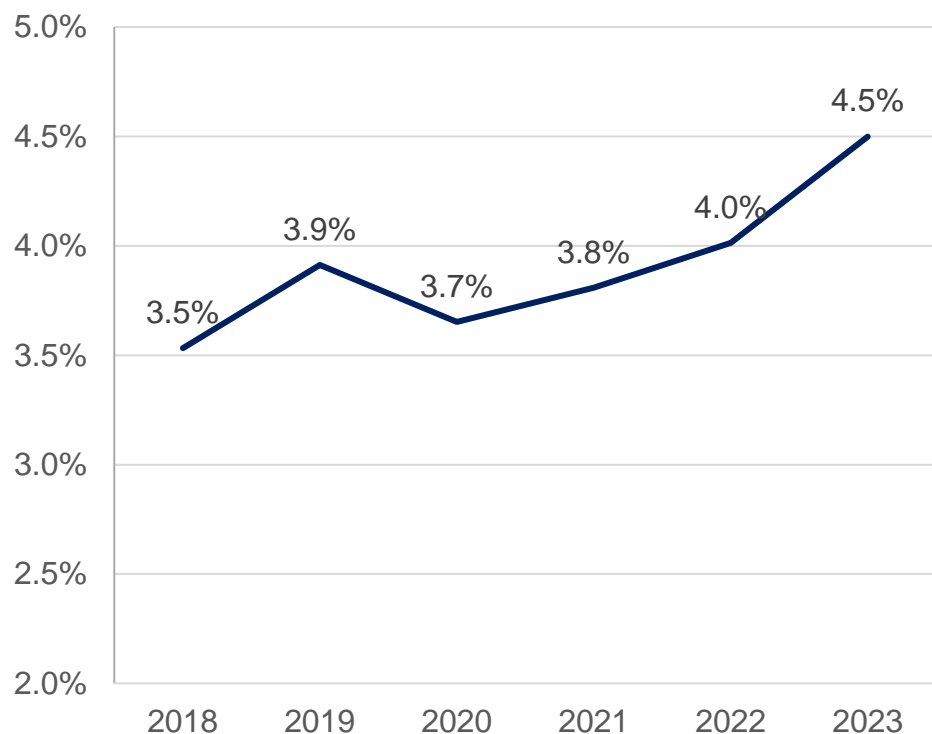
Number of customers (as of 31 Dec 2023)

	New customers	Total number of domestic customers	Total number of overseas customers
Hospital	201	3,802	3,265
Blood stations	5	419	[-]
Other medical units	59	1,178	2,022
Distributors	402	4,371	2,243
Total	667	9,770	7,530

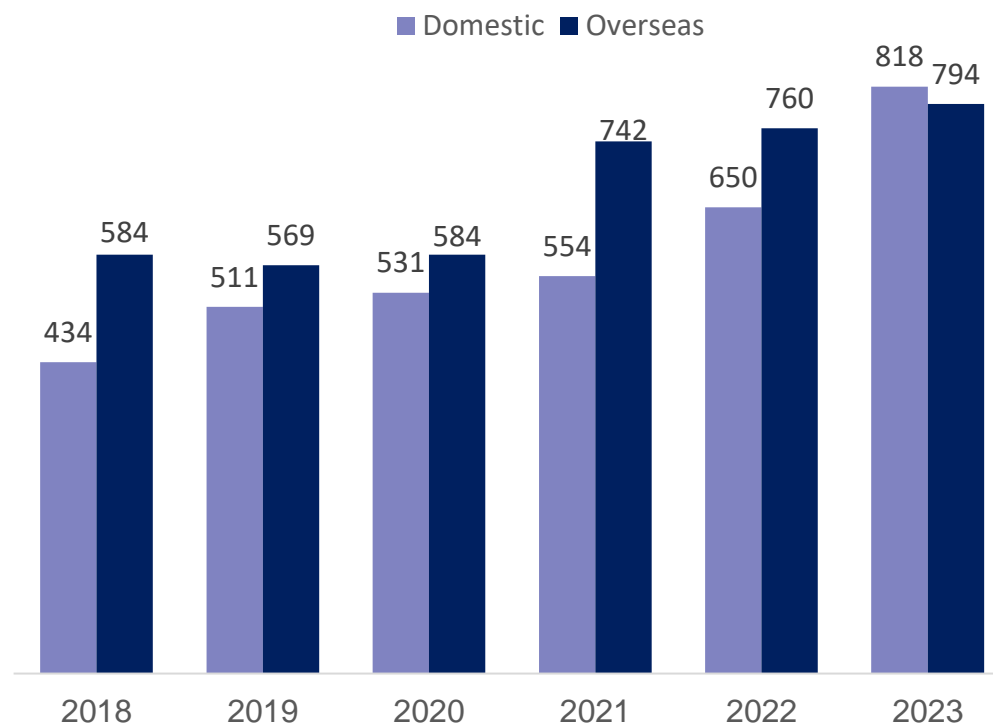
Innovation strategy – continue to expand product lines

- ❖ We adhere to an innovative business strategy, consolidate the product foundation, enrich the product line, bring new growth and enhance core competitiveness
- ❖ In 2023, R&D expense is RMB593mn, with a YoY increase of 7%. The R&D expense to sales ratio has increased to 4.5%
- ❖ The number of domestic and overseas product registration certificates is increasing. By the end of 2023, we have a total of 818 domestic product registration certificates, 794 overseas product registration certificates, 965 domestic patents and 192 overseas patents

R&D expense as % of revenue¹



Number of product registration certificates



Overseas market product line development planning



	Clinical care consumables	Orthopedic consumables	Pharmaceutical packaging	Interventional	Blood transfusion consumables
North America	Cooperate with large suppliers	Research stage	Establish relationships with pharmaceutical companies	Argon medical headquarter, strengthen competitiveness in the core advantage market	Research stage
Europe	Focus on ODM research and innovation	Enhance awareness of Chinese brand	From Southeastern Europe to the Western Europe	Strengthen market penetration	Achieve MDR certificate
Latin America	Key countries covered	All products registered	Weigao sells 25mn out of 71mn in the market, accounting for 35%	Key countries covered	Weigao exports over 1mn sets out of total 9mn sets in the market, accounting for 15%
Middle East and Africa	Government tenders and international aid	Hold academic events	Weigao sells 17mn out of 36mn in the market, accounting for 47%	Participate in government tenders	Weigao exports 3.5mn sets out of 9mn sets in the African market, accounting for 39% market shares
Southeast Asia	High-value consumables agency channel	Southeast Asia Orthopedic Training Center	Weigao sells 45mn out of 230mn in the market (including South Asia), accounting for 20% market shares	High-value consumables agency channel	The market capacity is 8mn sets, and the agent enters the whole market



Implement sustainable green development

As the first "green bond" client in the Asian healthcare industry for the International Finance Corporation (IFC), a subsidiary of the World Bank, we have received strong support and recognition from IFC for the sustainable development strategy

- **Environmental management:** we vigorously promote the application of green and energy-saving technologies, processes and equipment, and promote high-end, intelligent and green industry transformation. We actively carry out the construction and protection of green ecological infrastructure and implement the development and construction of garden-style factories with the green area of gardens, roads and mountains reaching 1,080,600 square meters. We establish a sound environmental management system and strictly abide by the relevant local laws and regulations on environmental protection with the concept of green development throughout production and operation
- **Energy conservation and low carbon:** we actively respond to the climate change initiative of the "Paris Agreement", closely follow China's goal of "carbon peak and carbon neutrality", promote the upgrading of development mode, actively create a strong atmosphere of energy conservation and carbon reduction and accelerate the comprehensive green transformation of economic and social development. In December 2023, we were selected into the pilot list for the construction of a green, low-carbon and high-quality development pilot zone in Shandong Province
- **Resource and emission management:** The energy management platform is launched to monitor the energy use status online in a panoramic view through digital management methods, analyze and optimize comprehensive energy consumption to achieve lean energy consumption management. The use of the energy management platform is expected to reduce energy consumption by more than 20%. We promote the construction of "zero-waste factory" and establish a 5,000-square-meter solid waste repository for fine classification to realize resource recycling



Fulfill corporate social responsibility

The core values of "conscience, integrity and loyalty" are implemented in the practice of corporate social responsibility

- **Pay attention to employee development:** we strive to create a non-discriminatory, equal, harmonious and safe working environment for employees, ensure that 100% of employees can receive training every year and help employees continuously improve their professional skills and personal quality to achieve career growth and life development
- **Improve the level of happiness for employees and society:** we build a "happy Weihai" with nearly 10,000 employees and families at the Weihai headquarters and help Weihai list "happiest city in China in 2023" once again
- **Assist people with disabilities in employment:** our subsidiary, Weihai Jierui, is the largest social welfare enterprise in Shandong, providing employment opportunities for nearly 1,000 people with disabilities and helping them integrate into society
- **Actively participate in social welfare:** we commit to corporate social responsibility, give back to the society with practical actions, participate in a number of social welfare and donation activities, and support the development of local education and medical research talents. In October 2023, we won the 8th "Shandong Charity Award" of Shandong Province, and donated tens of millions throughout the year, helping thousands of people in need, the elderly and children



Continue to improve the level of corporate governance

- **Adhere to compliance management**, abide by laws and regulations, fight against corruption, promote integrity and fair competition
- **Enhance transparency**, strengthen communication with the capital market and actively respond to shareholders' demands to increase the dividend ratio
- **Focus on gender equality** and increase the proportion of female on boards and senior management
- **Build a sustainable supply chain:**
 - **Upstream:** Together with strategic suppliers such as Sinopec and Wanhua Chemical, we collaborate and innovate in the field of medical polymer materials, promote the localization of "stuck neck" materials and jointly build a safe and resilient supply chain
 - **Downstream:** we improve the level of services provided to customers in hospitals and use cost-effective products to help hospitals save costs and improve the quality of medical services. In the field of drug packaging, we cooperate with downstream pharmaceutical enterprise customers on research to help them improve development progress and meet clinical needs

Development strategy

Strategic acquisition

- Replicating the success of Argon and Rad Source by strategically explore acquisition opportunities to broaden our product portfolio and global market coverage and further increase our scale

Direct marketing channels

- Establishing direct sales channels for select product lines in order to provide Weigao with greater pricing power and in turn, higher margins

Product cooperation

- Partnering with key customers to design bespoke products to better suit client needs

Product diversification and upgrading

- Focus future developments on higher technology and higher margin products where barriers to entry are greater
- Continuing to diversify our product mix to better combat the evolving market

Import substitution

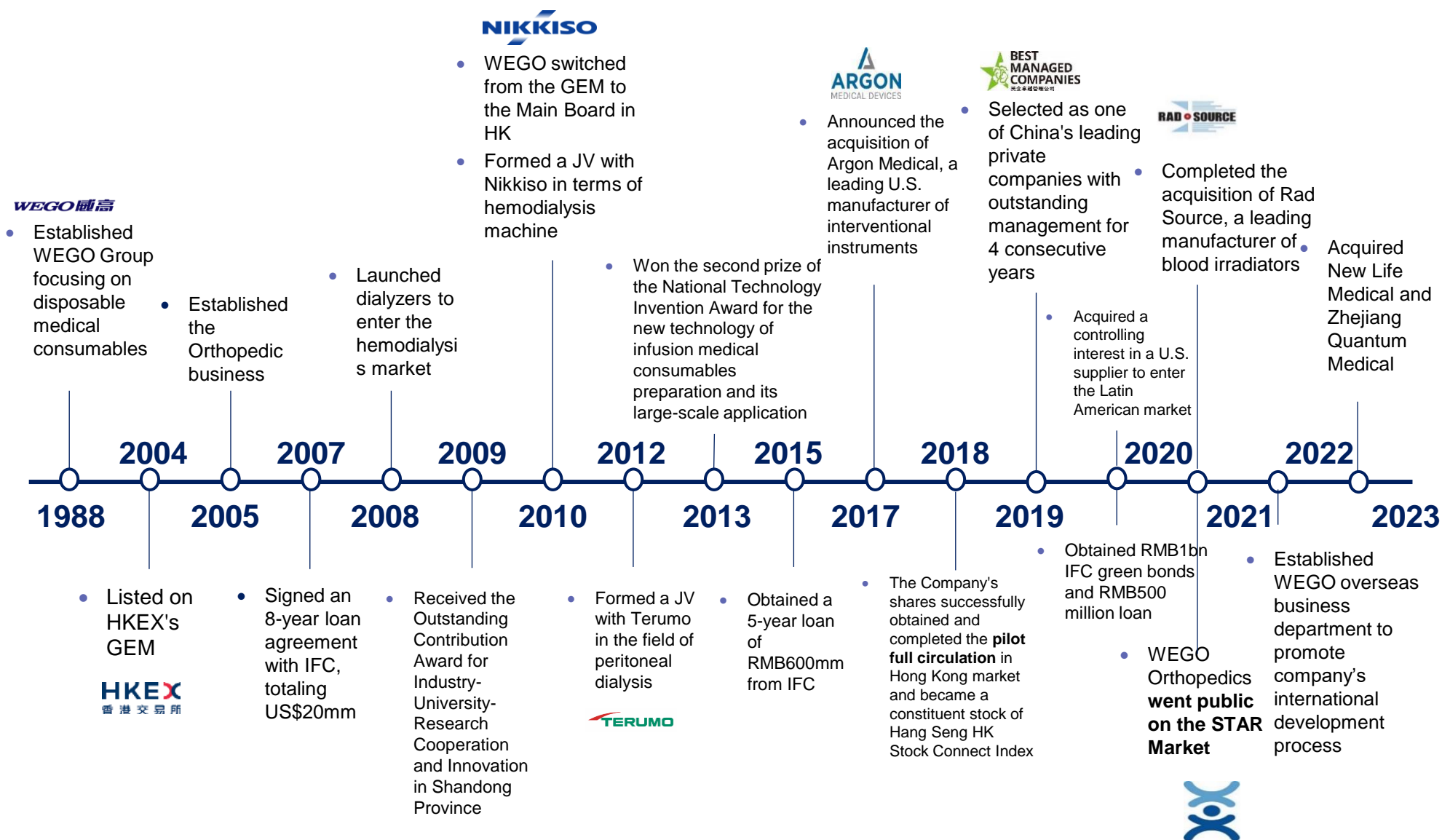
- Tapping into the high-tech markets
- Importing cutting edge technology to meet the growing demands of Chinese consumers



Key milestones

威高股份上市20周年

20th Anniversary of Shandong Weigao's listing on HKEx



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