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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)

**(1) PROPOSED CONDITIONAL GRANT OF
SHARE AWARDS**
(2) PROPOSED AMENDMENTS TO THE ARTICLES

On 31 August 2023, the Board resolved to grant the Share Awards to the Grantees under the Share Award Scheme.

The grant of the Share Awards and the subsequent issue and allotment of the Award Shares to the Grantees shall be subject to:

- i. the approval by the Independent Shareholders at the Extraordinary General Meeting in respect of the issuance and allotment of the Award Shares to all the Grantees and the grant of the Share Awards to the Core Employees; and
- ii. the registration with the CSRC in respect of the Company's plans for the issue and allotment of the Award Shares.

In addition, subject to the above conditions, as required under Chapter 14 of the Listing Rules, the grant of the Share Awards to the Selected Directors, the Selected Supervisor and the Connected Employees shall be subject to the Independent Shareholders' approval.

* *For identification purpose only*

Further, as required under Rule 17.04(3) of the Listing Rules, the grant of the Share Awards to each of Mr. Long Jing, Mr. Cong Rinan and Mr. Chen Lin shall be subject to separate approval by the Shareholders other than themselves, their associates and all core connected persons of the Company.

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 Shareholders as soon as possible on or before 19 September 2023.

1. PROPOSED CONDITIONAL GRANT OF THE SHARE AWARDS

Reference is made to the announcement of the Company dated 15 August 2014 and the circular of the Company dated 30 September 2014 in relation to the adoption of the Share Award Scheme. On 17 November 2014, the Shareholders approved the adoption of the Share Award Scheme. The Share Award Scheme has a term of ten years from the date of adoption. Under the Share Award Scheme, the directors of the Company are authorized to issue and allot up to a maximum of 223,818,616 non-listed domestic shares, which represented 5% of the issued share capital of the Company as at the date of adoption of the Share Award Scheme. As at the date of this announcement, 94,260,000 Share Awards have been granted. The outstanding number of Share Awards that may be granted under the Share Award Scheme is 129,558,616.

On 31 August 2023, the Board resolved to grant the Share Awards to the following Grantees under the Share Award Scheme:

Name of Grantee	Position	Number of the Share Awards
Grantees who are Directors or supervisor of the Company		
Long Jing	Executive Director and Chairman of the Board	10,000,000
Cong Rinan	Executive Director and Chief Executive Officer	6,000,000
Tang Zhengpeng	Non-executive Director and Vice Chairman	4,000,000
Chen Lin	Non-executive Director	5,000,000
Zhang Zhuangqiu	Supervisor	800,000
Sub-total		<u>25,800,000</u>
Grantees who are connected persons at the subsidiary level (the “Connected Employees”)		
Wu Xuefeng	Supervisor of a subsidiary	800,000
Lei Zhigang	Director of a subsidiary	800,000
Wang Shengyun	Director of a subsidiary	500,000
Tian Shidan	Director of a subsidiary	600,000
Cheng Yunliang	Director of a subsidiary	200,000
Ma Cai	Director of a subsidiary	400,000
Lv Jun	Director of a subsidiary	500,000
Liang Suyang	Director of a subsidiary	200,000
Wang Xiaoming	Director of a subsidiary	400,000
Zhang Dehai	Director of a subsidiary	600,000
Lou Zhenhai	Director of a subsidiary	800,000
Wang Daoming	Director of a subsidiary	1,000,000
Li Xueke	Director of a subsidiary	600,000
Zhang Yong	Director of a subsidiary	1,000,000
Li Xiaoyan	Director of a subsidiary	2,000,000
Qu Yun	Supervisor of a subsidiary	200,000
Xia Zhebin	Director of a subsidiary	200,000
Hou Yankui	Director of a subsidiary	300,000
Sub-total		<u>11,100,000</u>
Other employees (Note)		<u>60,950,000</u>
Total		<u><u>97,850,000</u></u>

Note: “Other employees” comprise 247 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). To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, all these employees are third parties independent of the Company and connected persons of the Company.

Save for the Selected Directors, each of the Grantees above is not (i) a Director, a chief executive, a substantial shareholder of the Company, or an associate of any of them; or (ii) a participant with options and awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules.

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

After the grant of the Share Awards above, an aggregate of 31,708,616 Share Awards of the Company will be available for future grants.

(1) CONDITIONS

The grant of the Share Awards and the issue and allotment of the Award Shares to the Grantees shall be subject to:

- i. the approval by the Independent Shareholders at the Extraordinary General Meeting in respect of the issuance and allotment of the Award Shares to all the Grantees and the grant of the Share Awards to the Core Employees; and
- ii. the registration with the CSRC in respect of the Company’s plans for the issue and allotment of the Award Shares.

In addition, subject to the above conditions, as required under Chapter 14 of the Listing Rules, the grant of the Share Awards to the Selected Directors, the Selected Supervisor and the Connected Employees shall be subject to the Independent Shareholders’ approval.

Further, as required under Rule 17.04(3) of the Listing Rules the grant of the Share Awards to each of Mr. Long Jing, Mr. Cong Rinan and Mr. Chen Lin shall be subject to the separate approval by the Shareholders other than themselves, his/her associates and all core connected persons of the Company.

(2) FURTHER DETAILS OF THE AWARD SHARES

Date of Grant	:	31 August 2023
Total number	:	97,850,000
Subscription price of the Award Shares	:	RMB4.74, which is equivalent to 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 of Grant and to be paid within 3 months after completion of the registration with the CSRC of the Company's plan for the issue and allotment of the Award Shares.
Amount payable	:	Save for the subscription price, participants are not required to pay any amount upon participation of the Share Award Scheme.
Market price of the Company's H Shares	:	The closing price of the H Shares on the Date of Grant was HK\$7.80 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\$7.922 per H Share.

Vesting period and performance targets : The Grantees will be subject to performance appraisal divided in five 12-month periods from 2024 to 2028. The performance targets of each Grantee include overall performance target of the Company and personal performance target. The overall performance target of the Company is determined based on the Company's annual strategic planning data. Individual performance target is based on an annual assessment measure deliberated and formulated by the Remuneration Committee, the implementation of which shall be organized annually. Upon achieving the performance targets by the Grantee, from year 2025 onwards, 20% of the Share Awards will be vested on the date when the annual accountant's report is reviewed and approved by the general meeting of Shareholders for each vesting period. In addition, the Award Shares are subject to a 36-month lock-up period from the date of allotment.

If the Grantee fails to meet both performance targets in an assessment year, the Share Awards held by the Grantee will expire before 1 January of the following year and be retained by the trustee of the Share Award Scheme.

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.

Financial assistance : No arrangements were made by the Company for the above grants to provide financial assistance to the Grantees to facilitate the issuance of the Award Shares.

Exercise Period : No exercise period for the Award Shares was set. The Grantees can exercise the Award Shares in anytime upon vesting.

(3) PROPOSED CONVERSION OF THE AWARD SHARES TO H SHARES

The Company will also register with the CSRC for conversion of all the Award Shares into H Shares. However, the proposed grant of the Share Awards 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.

Subject to completing the CSRC's registration 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 97,850,000 converted H Shares.

If the registration is completed, the number of converted H shares is set out below.

Name of Grantee	Position	Number of Share Awards	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 Directors or supervisor of the Company					
Long Jing	Executive Director and Chairman of the Board	10,000,000	10,000,000	0.221%	0.216%
Cong Rinan	Executive Director and Chief Executive Officer	6,000,000	6,000,000	0.133%	0.130%
Tang Zhengpeng	Non-executive Director and Vice Chairman	4,000,000	4,000,000	0.088%	0.087%
Chen Lin	Non-executive Director	5,000,000	5,000,000	0.111%	0.108%
Zhang Zhuangqiu	Supervisor	<u>800,000</u>	<u>800,000</u>	<u>0.018%</u>	<u>0.017%</u>
Sub-total		<u>25,800,000</u>	<u>25,800,000</u>	<u>0.571%</u>	<u>0.558%</u>

Name of Grantee	Position	Number of Share Awards	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 subsidiary level (the “Connected Employees”)					
Wu Xuefeng	Supervisor of a subsidiary	800,000	800,000	0.018%	0.017%
Lei Zhigang	Director of a subsidiary	800,000	800,000	0.018%	0.017%
Wang Shengyun	Director of a subsidiary	500,000	500,000	0.011%	0.011%
Tian Shidan	Director of a subsidiary	600,000	600,000	0.013%	0.013%
Cheng Yunliang	Director of a subsidiary	200,000	200,000	0.004%	0.004%
Ma Cai	Director of a subsidiary	400,000	400,000	0.009%	0.009%
Lv Jun	Director of a subsidiary	500,000	500,000	0.011%	0.011%
Liang Suyang	Director of a subsidiary	200,000	200,000	0.004%	0.004%
Wang Xiaoming	Director of a subsidiary	400,000	400,000	0.009%	0.009%
Zhang Dehai	Director of a subsidiary	600,000	600,000	0.013%	0.013%
Lou Zhenhai	Director of a subsidiary	800,000	800,000	0.018%	0.017%
Wang Daoming	Director of a subsidiary	1,000,000	1,000,000	0.022%	0.022%
Li Xueke	Director of a subsidiary	600,000	600,000	0.013%	0.013%
Zhang Yong	Director of a subsidiary	1,000,000	1,000,000	0.022%	0.022%
Li Xiaoyan	Director of a subsidiary	2,000,000	2,000,000	0.044%	0.043%
Qu Yun	Supervisor of a subsidiary	200,000	200,000	0.004%	0.004%
Xia Zhebin	Director of a subsidiary	200,000	200,000	0.004%	0.004%
Hou Yankui	Director of a subsidiary	300,000	300,000	0.007%	0.006%
Sub-total		11,100,000	11,100,000	0.245%	0.240%
Other employees					
<i>(Note)</i>		<u>60,950,000</u>	<u>60,950,000</u>	<u>1.348%</u>	<u>1.319%</u>
Total		<u>97,850,000</u>	<u>97,850,000</u>	<u>2.164%</u>	<u>2.118%</u>

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 2.164% of the number of H shares in issue as at the Date of Grant and approximately 2.118% of the number of H Shares of the Company as enlarged by the issue of the Award Shares.

Based on the closing price of HK\$7.80 per H Share as quoted on the Stock Exchange as at the Date of Grant, the market value of the Award Shares was HK\$775,167,700 assuming full conversion into H Shares.

(4) REASONS FOR AND BENEFITS OF THE GRANT

(i) Information about the Company and the adoption of the Share Award Scheme

The Company is principally engaged in the research and development, production and sale of medical device products, orthopaedic products, interventional products, pharma packaging products, blood management products, and operates financing business.

The Share Award Scheme was adopted to retain and incentivize 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 the Share Awards to the Directors and supervisors of the Company

a. The grant of the Share Awards to Mr. Long Jing

Mr. Long Jing joined the Group in July 2005 and was subsequently appointed as an executive Director in December 2018. Mr. Long has been focusing on the Group's sales team and sales network. Under Mr. Long's leadership, the Group has developed a network of key opinion leaders and a medical device sales network covering top tier hospitals in China. With both in-house training provided to sales team and continuous professional trainings provided to 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 in China.

Since Mr. Long Jing became the chairman of the Board in March 2021, he has been committed to the formulation and implementation of the Company's future strategies, proposing long-term development strategies of "platformization", "digitalization" and "internationalization", enriching and optimizing core products mix, improving operational efficiency and coordinating the development of domestic and international markets, so as to create a long-term competitive advantage for Weigao.

b. The grant of the Share Awards to Mr. Cong Rinan

Mr. Cong Rinan joined the Group in August 2003 and has since served at the Group for 20 years. He performed a large number of duties in technology, product operation and sales teams, has in depth understanding in the Group's operation, and has also contributed significantly to the growth of our medical device products segment. Mr. Cong has been the chief executive officer of the Company from March 2021 and played a leading role in the formulation of strategy and long-term development of the Company.

c. The grant of the Share Awards to Mr. Tang Zhengpeng

With over 20 years of experience in banking and corporate finance management, Mr. Tang Zhengpeng is a valuable asset to the Group in establishing strategic relationships with the participants in the financial sector, building a scientific and reasonable asset-liability structure and soliciting support from the investors. Mr. Tang has a deep understanding and unique insights in areas including capital operation, asset management, and business operations, and has suggested and promoted the optimization of the Company's capital operation strategy and the improvement of asset and corporate management. Mr. Tang was appointed as a non-executive Director in March 2021.

d. The grant of the Share Awards to Mr. Chen Lin

Mr. Chen Lin joined Weigao Group in 2000 and always provides precious management advice and resources support to the Group leveraging on his operation management experience accumulated over 20 years in the medical device industry. Mr. Chen was appointed as a non-executive Director in March 2021. He also participates in the Company's leadership team meetings from time to time, and interacts with key stakeholders on behalf of the Company. Through these and other contributions, Mr. Chen Lin has helped us make significant progress on our resources coordination and achieving business goals.

e. The grant of the Share Awards to Mr. Zhang Zhuangqiu

Being an employees' representative supervisor of the Company and the vice general manager of the production and operation of medical device product segment of the Company, Mr. Zhang Zhuangqiu contributed to the growth of the Group for over 10 years. During his term of service, relying on his unique and strong leadership skills, Mr. Zhang Zhuangqiu promoted the Company's modern production management, improved the efficiency of operation management, and greatly saved production costs via establishing an intelligent manufacturing plant template by way of manufacturing system automation transformation and digital management, and widely promoted it.

(iii) The grant of the Share Awards to the connected persons at subsidiary level

a. The grant of the Share Awards to the Connected Employees

In respect of the 18 Connected Employees, they have been with the Group ranged from 2 to 25 years. The 18 Connected Employees are employees working in various business lines of the Group including but not limited to production, marketing and sales, research and development and finance, which are all instrumental to the overall operation of the Group.

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

b. The grant of the Share Awards to other employees

The other employees have been with the Group ranged from 2 to 31 years and they work in various business lines of the Group including but not limited to operation, capital markets, research and development, technology, quality control and human resources.

These employees have also played in part in the growth of the Group and the Board considers that it is important to provide incentive to these potential future management of the Group.

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

(5) LISTING RULES AND OTHER REQUIREMENTS

(i) Listing Rules

The grant of the Share Awards to the Selected Directors had been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules.

The Selected Directors abstained from voting on approving the relevant remuneration committee resolution and board resolution on the award of their own Share Awards. Save for the above, no other Director had a material interest in the grant of the Share Awards and therefore none of the other Directors abstained from voting on the relevant Board resolutions approving the proposed grant of Share Awards.

The Selected Directors and the Selected Supervisor are connected persons of the Company at issuer level. 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. Therefore, the issue and allotment of the Award Shares to these Connected Grantees under the Share Award Scheme constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules and are subject to, among others, the approval by the Independent Shareholders at the Extraordinary General Meeting.

In addition, the grant of the Share Awards to each of Mr. Long Jing, Mr. Cong Rinan and Mr. Chen Lin would result in the shares to be issued in respect of all Share Awards granted to them in the 12-month period up to and including the Date of Grant exceeding 0.1% of the relevant class of shares in issue. Therefore, pursuant to Rule 17.04(3) of the Listing Rules, such further grant of the Share Awards must be separately approved by shareholders of the Company. Mr. Long Jing, Mr. Cong Rinan and Mr. Chen Lin, their associates and all core connected persons of the Company must abstain from voting in favour at the Extraordinary General Meeting.

(ii) Other regulatory requirements

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

(6) 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 grant of 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.

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 Shareholders as soon as possible on or before 19 September 2023.

2. PROPOSED AMENDMENTS TO THE 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 97,850,000 non-listed domestic shares of RMB0.10 each in the capital of the Company, to be issued by the Company pursuant to the grant of the Share Awards;
“Board”	the board of Directors;
“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 the Selected Directors and the Selected Supervisor;
“Connected Grantees”	the Selected Directors, the Selected Supervisor and the Connected Employees;
“connected person”	has the same meaning ascribed to it under the Listing Rules;

“Core Employees”	all Grantees excluding the Selected Directors, the Selected Supervisor and the senior management of the Company (being Mr. Wu Xuefeng, who is the chief financial officer of the Company);
“CSRC”	China Securities Regulatory Commission;
“Date of Grant”	31 August 2023, the date on which the Board 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;
“Grantee(s)”	the grantee(s) of the Share Awards, the detail of which are set out in the section headed “PROPOSED CONDITIONAL GRANT OF THE 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”	the overseas-listed shares in the share capital of the Company, with a nominal value of RMB0.10 each, which are held and 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”	China Galaxy International Securities (Hong Kong) Co., Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, 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 Connected Grantees;
“Independent Shareholders”	the Shareholders who are not required to abstain from voting on each respective resolution to be proposed in the Extraordinary General Meeting in accordance to the Listing Rules and applicable PRC laws;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Remuneration Committee”	the Remuneration Committee of the Board;
“RMB”	Renminbi, the lawful currency of the PRC;
“Selected Directors”	Mr. Long Jing, Mr. Cong Rinan, Mr. Tang Zhengpeng and Mr. Chen Lin;
“Selected Supervisor”	Mr. Zhang Zhuangqiu;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	issued shares of the Company, comprise both H Shares and non-listed domestic shares of RMB0.10 each in the capital of the Company;

“Share Awards”	an aggregate of 97,850,000 share awards, of which (i) 25,800,000 share awards will be granted to the Selected Directors and the Selected Supervisor, who are connected persons at the issuer level; (ii) 11,100,000 share awards will be granted to the Connected Employees, who are connected persons at the subsidiary level; and (iii) 60,950,000 share awards will be granted to the employees who are not connected persons of the Company;
“Share Award Scheme”	the share award scheme adopted by the Company on 17 November 2014;
“Shareholder(s)”	holder(s) of the 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
Long Jing
Chairman

31 August 2023
Weihai, Shandong, the PRC

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

Executive Director

Mr. Long Jing
Mr. Cong Rinan
Mr. Lu Junqiang
Mr. Ni Shili

Non-Executive Director

Mr. Tang Zhengpeng
Mr. Chen Lin

Independent non-executive Director

Mr. Li Guohui
Mrs. Meng Hong
Mr. Li Qiang