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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shandong Weigao Group Medical Polymer Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 CONDITIONAL GRANT OF SHARE AWARDS;
(2) PROPOSED AMENDMENTS TO THE ARTICLES; AND
(3) NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



China Galaxy International Securities (Hong Kong) Co., Limited

Capitalized terms used in this cover will have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 22 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 45 of this circular.

A notice convening the Second Extraordinary General Meeting to be held at 2/F, 1 Weigao Road, Torch Hi-tech Science Park, Weihai, Shandong Province, PRC, at 9:30 a.m. or immediately following the conclusion of the previous extraordinary general meeting on Friday, 13 October 2023 is set out on pages 52 to 58 of this circular. A form of proxy for use at the Second Extraordinary General Meeting is enclosed with this circular. Whether or not you intend to attend the Second Extraordinary General Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's H Share registrar, Tricor Standard Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the Second Extraordinary General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Second Extraordinary General Meeting or any adjourned meeting thereof (as the case may be) should you so wish.

18 September 2023

* For identification purpose only

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DEFINITIONS

In this circular, 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 Domestic Shares 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;
“Directors”	the directors of the Company;
“Domestic Shares”	non-listed domestic shares of RMB0.10 each in the capital of the Company;

DEFINITIONS

“Grantee(s)”	the grantee(s) of the Share Awards, the details of which are set out in the section headed “PROPOSED CONDITIONAL GRANT OF SHARE AWARDS” in the letter from the Board of this circular;
“Group”	the Company and its subsidiaries;
“H Share Full Circulation”	the conversion of the Domestic Shares into H shares and the listing thereof, which was announced by the Company on 10 July 2018;
“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\$;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors;
“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 Second Extraordinary General Meeting in accordance to the Listing Rules and applicable PRC laws;
“Latest Practicable Date”	15 September 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;

DEFINITIONS

“Remuneration Committee”	the remuneration committee of the Board;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Extraordinary General Meeting”	the second 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;
“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 Domestic Shares;
“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.

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Long Jing (*Chairman*)
Mr. Cong Rinan (*Chief Executive Officer*)
Mr. Lu Junqiang
Mr. Ni Shili

Principal place of business in the PRC:

1 Weigao Road
Weihai Torch Hi-tech Science Park
Weihai
Shandong Province
the PRC

Non-executive Directors:

Mr. Tang Zhengpeng (*Vice Chairman*)
Mr. Chen Lin

Principal place of business in Hong Kong:

29/F, Two Chinachem Central,
26 Des Voeux Road Central,
Hong Kong

Independent non-executive Directors:

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

18 September 2023

To the Shareholders:

Dear Sir or Madam,

**(1) PROPOSED CONDITIONAL GRANT OF SHARE AWARDS;
(2) PROPOSED AMENDMENTS TO THE ARTICLES; AND
(3) NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING**

(1) INTRODUCTION

Reference is made to the announcement of the Company dated 31 August 2023 in relation to the proposed conditional grant of the Share Awards. The purpose of this circular is to provide you with further details about the proposed conditional grant of the Share Awards, a letter advice from the Independent Financial Adviser to the Independent Shareholders, and a notice convening the Second Extraordinary General Meeting.

* For identification purpose only

LETTER FROM THE BOARD

(2) PROPOSED CONDITIONAL GRANT OF SHARE AWARDS

(i) Background of the Share Award Scheme

On 17 November 2014, the Shareholders approved the adoption of the Share Award Scheme. It is neither a share scheme nor an arrangement analogous to a share scheme for the purpose of Chapter 17 of the Listing Rules. 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 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 Latest Practicable Date, 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. Upon completion of the proposed grant of the Share Awards, the outstanding number of Share Awards that may be granted during the remainder term of the Share Award Scheme is 31,708,616.

(ii) Proposed Grantees

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

Name of Grantee	Position	Number of 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	<u>800,000</u>
Sub-total		<u>25,800,000</u>

LETTER FROM THE BOARD

Name of Grantee	Position	Number of Share Awards
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	<u>300,000</u>
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 has been approved by all the members of the Remuneration Committee.

LETTER FROM THE BOARD

(iii) Conditions

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 Second Extraordinary General Meeting in respect of the grant of the Share Awards to the Core Employees and the issuance and allotment of the Award Shares to all the Grantees; 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 Rules 14A.03 and 14A.36 of the Listing Rules, the grant of the Share Awards to the Selected Directors, the Selected Supervisor and the Connected Employees are 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 are subject to separate approval by the Shareholders other than themselves, their associates and all core connected persons of the Company.

As at the Latest Practicable Date, none of the conditions have been satisfied.

(iv) Further details of the Share Awards

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.

LETTER FROM THE BOARD

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. Individual performance target varies across different departments. Individuals may be assessed in areas including but not limited to fulfilment of department-specific goals, ability to cooperate with team members and supervisors' satisfaction towards the work performance. The department-specific goals will be in support of the overall performance target of the Company. For instance, the individual performance target can be set based on sales key performance index (KPI) for marketing personnels whereas the individual performance target can be set based on number, progress and phase results etc. of trial experiments completed for research and development personnels. The full mark of the assessment is 100 and any individual attaining 90 marks or above is considered to be able to satisfy the individual performance target.

LETTER FROM THE BOARD

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.

- Clawback mechanism : 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. Further, in the event that a Grantee has committed serious misconduct including violation of laws, employment contract terms, professional ethics, any restrictions stipulated under the Share Award Scheme or loyalty obligations to the Company or been terminated from employment due to serious breach of internal rules and regulations of the Group, all Share Awards held by such Grantee that are subject to lock-up will be transferred back to the trustee of the Share Award Scheme.
- Rights attached to the Award Shares : The Award Shares, once vested, will rank *pari passu* in all respects among themselves and with other Shares, subject to the following restrictions:
- (i) the Award Shares are subject to a 36-month lock-up period from the registration date of allotment;
 - (ii) dividends declared or paid prior to vesting will be retained by the trustee of the Share Award Scheme and will be transferred to the Grantees upon vesting; and
 - (iii) the trustee of the Share Award Scheme shall abstain from voting prior to vesting. Further, the Grantees will not exercise voting rights attached to the Award Shares after vesting.
- 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 Grant.

LETTER FROM THE BOARD

- 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 Share Awards was set. The Grantees can exercise the Share Awards in anytime upon vesting.

(v) Proposed conversion of the Award Shares into H Shares

The Company will also register with the CSRC for conversion of all 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 into H shares. It is expected that the conversion will not take place until after the third anniversary of the Date of Grant.

Subject to completion of 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.

In the event that CSRC's registration is not completed, the Domestic Shares will be issued in compliance with the relevant laws of the PRC.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had 4,522,332,324 H Shares and 48,300,000 Domestic Shares in issue. If the registration is completed, the number of converted H Shares and their approximate percentage to the total number of H Shares in issue and as enlarged by the conversion are set out below (assuming no other change in the issued share capital of the Company other than the conversion of H Shares):

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 Latest Practicable Date	Approximate percentage to the number of H Shares as enlarged by the converted H Shares
Grantees who are Directors and 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 the 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	800,000	800,000	0.018%	0.017%
Sub-total		<u>25,800,000</u>	<u>25,800,000</u>	<u>0.571%</u>	<u>0.558%</u>
Grantees who are connected persons at the subsidiary level (the "Connected Employees")					
Wu Xuefeng	Supervisor	800,000	800,000	0.018%	0.017%
Lei Zhigang	Director	800,000	800,000	0.018%	0.017%
Wang Shengyun	Director	500,000	500,000	0.011%	0.011%
Tian Shidan	Director	600,000	600,000	0.013%	0.013%
Cheng Yunliang	Director	200,000	200,000	0.004%	0.004%
Ma Cai	Director	400,000	400,000	0.009%	0.009%
Lv Jun	Director	500,000	500,000	0.011%	0.011%
Liang Suyang	Director	200,000	200,000	0.004%	0.004%
Wang Xiaoming	Director	400,000	400,000	0.009%	0.009%
Zhang Dehai	Director	600,000	600,000	0.013%	0.013%
Lou Zhenhai	Director	800,000	800,000	0.018%	0.017%
Wang Daoming	Director	1,000,000	1,000,000	0.022%	0.022%
Li Xueke	Director	600,000	600,000	0.013%	0.013%
Zhang Yong	Director	1,000,000	1,000,000	0.022%	0.022%
Li Xiaoyan	Director	2,000,000	2,000,000	0.044%	0.043%
Qu Yun	Supervisor	200,000	200,000	0.004%	0.004%
Xia Zhebin	Director	200,000	200,000	0.004%	0.004%
Hou Yankui	Director	300,000	300,000	0.007%	0.006%
Sub-total		<u>11,100,000</u>	<u>11,100,000</u>	<u>0.245%</u>	<u>0.240%</u>
Other employees (Note)		<u>60,950,000</u>	<u>60,950,000</u>	<u>1.348%</u>	<u>1.319%</u>
Total		<u><u>97,850,000</u></u>	<u><u>97,850,000</u></u>	<u><u>2.164%</u></u>	<u><u>2.118%</u></u>

Note: None of the other employees are connected persons of the Company.

LETTER FROM THE BOARD

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 Latest Practicable Date and approximately 2.118% of the number of H Shares as enlarged by the issue of the Award Shares.

The Share Award Scheme is the only incentive scheme at the issuer level of the Company. The Share Award Scheme, as approved by the Shareholders in 2014, allowed issuance of Domestic Shares, instead of H Shares.

The issuance of the Award Shares, comprising Domestic Shares, is in accordance with the Share Award Scheme as approved by the Shareholders. Deepening Reforms on Overseas Listing System and the Pilots of “Full Circulation” of H Shares (《中國證監會審核境外上市制度改革開展H股“全流通”試點》) was firstly announced by the CSRC in December 2017, and since November 2019, with the application of the Guidelines for Applying for “Full Circulation” of Unlisted Shares in H-share Companies (《H股公司境內未上市股份申請“全流通”業務指引》), the H Share Full Circulation has been fully and officially implemented. At the time of adoption of Share Award Scheme in 2014, the H Share Full Circulation was not envisaged.

The purpose of implementation of the H Share Full Circulation was to improve the liquidity of the shares of the Company, which would attract more potential investors investing in the shares of the Company, and in turn would be beneficial to the Company’s long term development and Shareholders’ interests as a whole. The purpose of the issuance of the Award Shares is to incentivize the Grantees. Although the Domestic Shares are not freely tradeable, if the Domestic Shares are not converted to H Shares, the Share Award Scheme also provides a mechanism for the Grantees to realize their shareholding as disclosed in the section headed “Disposal of Shares” under the letter from the board in the circular of the Company dated 30 September 2014. Given also the small percentage of H Shares that the Award Shares could be converted into in proportion to all issued H Shares, the Company considers that the issuance of the Award Shares is in compliance with the Share Award Scheme as approved by the Shareholders while not contradicting with the purpose of the H Share Full Circulation.

LETTER FROM THE BOARD

(vi) **Reasons for and benefits of the grant of the Share Awards**

1) 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.

In determining the basis for granting the Share Awards (including how such number were arrived at) to each of the Grantees, the Remuneration Committee and the Board have considered the following factors: (1) the responsibilities of the Grantees, (2) the length of employment with the Group, (3) the past contribution or potential contribution of the Grantees to the development and growth of the Group, (4) the skill, knowledge, experience, expertise and other personal qualities of the Grantees, and (5) time commitment, responsibilities or employment conditions of the Grantees according to the prevailing market practice and industry standard.

2) 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

3) *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. Set out below is the position and major responsibilities of each of the Connected Employees, their respective years of service, their respective number of Share Awards, their respective number of H Shares to be converted and their approximate percentage to the existing number of H Shares in issue as at the Latest Practicable Date:

Name of Grantee	Position and major responsibilities	Years of service	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 Latest Practicable Date
Wu Xuefeng	Chief Financial Officer of the Company and supervisor of a subsidiary; responsible for the financial management of the Company	17	800,000	800,000	0.018%
Lei Zhigang	Director of a subsidiary; responsible for the formulation and implementation of the Group's digital strategy	2	800,000	800,000	0.018%

LETTER FROM THE BOARD

Name of Grantee	Position and major responsibilities	Years of service	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 Latest Practicable Date
Wang Shengyun	Director of a subsidiary; responsible for the research and development of one of the Group's product line	6	500,000	500,000	0.011%
Tian Shidan	Director of a subsidiary; responsible for the operation of one of the Group's product line	22	600,000	600,000	0.013%
Cheng Yunliang	Director of a subsidiary; responsible for the design and production of one of the Group's product line	22	200,000	200,000	0.004%
Ma Cai	Director of a subsidiary; responsible for the operation of one of the Group's product line	10	400,000	400,000	0.009%
Lv Jun	Director of a subsidiary; responsible for the regional operation and management	23	500,000	500,000	0.011%
Liang Suyang	Director of a subsidiary; responsible for the operation of one of the Group's product line	21	200,000	200,000	0.004%
Wang Xiaoming	Director of a subsidiary; responsible for the operation of one of the Group's product line	3	400,000	400,000	0.009%
Zhang Dehai	Director of a subsidiary; responsible for the operation of one of the Group's product line	20	600,000	600,000	0.013%
Lou Zhenhai	Director of a subsidiary; responsible for the research and development of one of the Group's product line	4	800,000	800,000	0.018%
Wang Daoming	Director of a subsidiary; responsible for the operation of one of the Group's product line	15	1,000,000	1,000,000	0.022%
Li Xueke	Director of a subsidiary; responsible for the operation of one of the Group's product line	20	600,000	600,000	0.013%

LETTER FROM THE BOARD

Name of Grantee	Position and major responsibilities	Years of service	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 Latest Practicable Date
Zhang Yong	Director of a subsidiary; responsible for the sales operation of the Group's overseas market	25	1,000,000	1,000,000	0.022%
Li Xiaoyan	Director of a subsidiary; responsible for the overall marketing of one of the Group's product line	20	2,000,000	2,000,000	0.044%
Qu Yun	Supervisor of a subsidiary; responsible for the sales management of one of the Group's product line	25	200,000	200,000	0.004%
Xia Zhebin	Director of a subsidiary; responsible for the operation of one of the Group's product line	6	200,000	200,000	0.004%
Hou Yankui	Director of a subsidiary; responsible for the regional marketing	20	300,000	300,000	0.007%
Total			<u>11,100,000</u>	<u>11,100,000</u>	<u>0.245%</u>

Having considered the biographies, work positions, job duties and years of service with the Group for each of the Connected Grantees, the Board is of the view that the Connected Grantees (i) hold senior positions in various business lines of the Group which are instrumental to the overall operation of the Group; (ii) have worked with the Group for 2 years to 25 years; (iii) have a different level of contribution to the continuous growth and development of the Company over the years. Each of the Connected Grantees is capable of adding value to the Group's business by leveraging their professional expertise and experience. Therefore, it is important to retain and incentivize the Connected Grantees to continue leading and serving the Group in order to enhance the competitiveness of the Group and to maintain the Group's leading position in the medical device industry.

LETTER FROM THE BOARD

4) *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 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 necessary to grant Share Awards to these potential future management of the Group.

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

(vii) Listing Rules and other requirements

(1) *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 granting 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. To avoid any further conflict of interest, each of the Selected Directors will (i) abstain from voting on any resolutions in relation to any matters relating to the Share Award Scheme in the future with respect to his interests (if any); and (ii) not take part in the management and administration of the Share Award Scheme. In addition, the Grantees and other eligible employees selected by the Board under the Share Award Scheme in the future, will not be involved in the administration of the Share Award Scheme.

LETTER FROM THE BOARD

The Selected Directors and the Selected Supervisor are connected persons of the Company at issuer level. Each of the Connected Employees is director or supervisor 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 Second Extraordinary General Meeting. The Company will not seek shareholders' approval under separate resolution to approve the grant of Award Shares to each of the Connected Grantees because as a matter of internal commercial policy, the Company is of the view that the grants to all Grantees are linked, forming one single unit and significant proposal, which is to grant an aggregate of 97,850,000 Share Awards to selected eligible employees, being a total of 270 Grantees for this round. In this regard, the issue and allotment of a total of 97,850,000 Domestic Shares was proposed as one single resolution pursuant to the relevant PRC laws and regulations. From the perspective of the Company, as far as the grant of Share Awards are concerned, the entitlement of the Connected Grantees are no different to the other 247 employees and it is impractical for the Company to propose separate resolution for each and every Grantee.

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(2) 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 Second Extraordinary General Meeting. Further, such grant would be subject to the passing of the resolution regarding the issue and allotment of a total of 97,850,000 Domestic Shares as mentioned above.

(2) Other regulatory requirements

As advised by the PRC legal advisor of the Company, the Company's plans for the issue and allotment of the 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 grant of Share Awards (irrespective of whether the Grantee is or is not a connected person) is subject to the approval of the Independent Shareholders.

LETTER FROM THE BOARD

(2) PROPOSED AMENDMENTS TO THE ARTICLES

To facilitate the issue of the Award Shares, the Company proposes to amend the Articles (the “**Proposed Amendments**”). Details of the Proposed Amendments are set out in Appendix 2 of this circular.

The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution and the approval, registration and filing with the relevant PRC government authorities.

As at the Latest Practicable Date, to the best of their knowledge and belief, no Shareholder is required to abstain from voting on the resolutions to be proposed at the Second Extraordinary General Meeting to approve the Proposed Amendments.

(3) THE SECOND EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Second Extraordinary General Meeting is set out on pages 52 to 58 of this circular.

Pursuant to the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll. An announcement on the poll vote results will be published by the Company after the Second Extraordinary General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the Second Extraordinary General Meeting is enclosed with this circular and is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.weigaogroup.com). Whether or not you are able to attend the Second Extraordinary General Meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company’s H Share registrar, Tricor Standard Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 24 hours before the time appointed for holding the Second Extraordinary General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Second Extraordinary General Meeting if you so wish.

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

LETTER FROM THE BOARD

As at the Latest Practicable Date, save for Mr. Long Jing, Mr. Cong Rinan and Mr. Chen Lin, no other Grantees are Shareholders. Mr. Chen Xueli, the ultimate beneficial owner of the Company holding 45.94% of its shares indirectly through Weigao Holding Company Limited, is Mr. Chen Lin's father and a connected person of the Company, and is required to abstain from voting on resolution approving the grant of the Share Awards to Mr. Long Jing, Mr. Cong Rinan and Mr. Chen Lin pursuant to Rule 17.04(3). In total, 2 Grantees, being Mr. Chen Lin and Mr. Liang Suyang, holding an aggregate of 396,000 H Shares which represents approximately 0.009% of the number of Shares in issue as at the Latest Practicable Date, are required to abstain from voting. In addition, the trustee and the Grantees holding the existing 48,300,000 Domestic Shares and 14,456,000 H Shares respectively, representing 1.373% of the number of Shares in issue at the Latest Practicable Date, will be bound by the Share Award Scheme to abstain from voting. Save as disclosed, to the best of the Directors' knowledge, information and belief, no Shareholder would be required to abstain from voting on any resolutions to be proposed at the Second Extraordinary General Meeting as at the Latest Practicable Date. For further details of the interests of Weigao Holding Company Limited and Mr. Chen Xueli in our Company, please refer to the section headed "2. Disclosure of Interests" in Appendix 1.

(4) CLOSURE OF THE SHAREHOLDERS' REGISTER

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the Second Extraordinary General Meeting, the Company's H Share register will be closed from 10 October 2023 to 13 October 2023. No transfer of H Shares of the Company will be registered during that period. In order to qualify to attend and vote at the Second Extraordinary General Meeting, all instruments of transfer together with the relevant share certificate(s) must be lodged with the office of the Company's H Share registrar, Tricor Standard Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on 9 October 2023.

Deadline for lodging the instruments of transfer together with H Shares certificates	October 9, 2023 (Monday) at 4:30 pm
Closure of the Shareholders' Register.	October 10, 2023 (Tuesday) to October 13, 2023 (Friday)
Date of the Second Extraordinary General Meeting . . .	October 13, 2023 (Friday)

LETTER FROM THE BOARD

(5) RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that each of (1) the issuance of the Award Shares and the grant of Share Awards to the Grantees; and (2) the Proposed Amendments, is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions at the Second Extraordinary General Meeting.

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 25 to 45 of this circular, which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the grant of the Share Awards and reasons considered by it in arriving at its opinion.

By Order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Long Jing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the Share Awards to the Grantees.

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)

18 September 2023

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED CONDITIONAL GRANT OF SHARE AWARDS

We refer to the circular of the Company to the Shareholders dated 19 September 2023 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorized by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the Share Awards are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the grant of the Share Awards as set out on pages 25 to 45 of the Circular and the letter from the Board as set out on pages 4 to 22 of the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the principal factors and reasons, considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that although the grant of Share Awards to Connected Grantees is not in the ordinary and usual course of business of the Group, the terms of the Share Awards are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, to vote in favour of the special resolution(s) in respect of the grant of Share Awards to Connected Grantees and the transactions contemplated thereunder at the Second Extraordinary General Meeting.

Yours faithfully,

For and on behalf of

The Independent Board Committee of

Shandong Weigao Group Medical Polymer Company Limited

Mr. Li Guohui

Mrs. Meng Hong

Mr. Li Qiang

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from China Galaxy International Securities (Hong Kong) Co., Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this Circular.



20/F, Wing On Centre
111 Connaught Road Central
Sheung Wan, Hong Kong

18 September 2023

*To: The Independent Board Committee and the Independent Shareholders of
Shandong Weigao Group Medical Polymer Company Limited*

Dear Sir or Madam,

PROPOSED CONDITIONAL GRANT OF SHARE AWARDS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed conditional grant of the Share Awards to the Connected Grantees pursuant to the terms of the Share Award Scheme adopted by the Company in 2014 and as announced by the Company on 31 August 2023. Details of the Share Awards are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 18 September 2023 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meaning as those defined in the Circular.

The Grantees included the Selected Directors (being two executive Directors and two non-executive Directors), the Selected Supervisor (being a supervisor of the Company) and the Connected Employees (being 18 directors and/or supervisors of the Group’s principal subsidiaries). The Selected Directors and the Selected Supervisor are connected persons of the Company at issuer level. Each of the Connected Employees is director or supervisor 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 the reporting, announcement and Independent Shareholders’ approval requirement.

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(2) 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 Second Extraordinary General Meeting. Further, such grant would be subject to the passing of the resolution regarding the issue and allotment of a total of 97,850,000 Domestic Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To avoid any further conflict of interest, each of the Selected Directors will (i) abstain from voting on any resolutions in relation to any matters relating to the Share Award Scheme in the future with respect to his interests (if any); and (ii) not take part in the management and administration of the Share Award Scheme. In addition, the Grantees and other eligible employees selected by the Board under the Share Award Scheme in the future, will not be involved in the administration of the Share Award Scheme.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Li Guohui, Mrs. Meng Hong and Mr. Li Qiang has been established to advise the Independent Shareholders as to whether the terms of the Share Awards are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and how to vote on the relevant resolution(s) in the Second Extraordinary General Meeting. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Save for the appointments by the Company to act as the independent financial advisor to advise its independent board committee and independent Shareholders in relation to (i) the Share Awards in August 2023; (ii) the terms and corresponding proposed annual caps of certain continuing connected transactions of the Company in August 2023, details of which were disclosed in the announcements of the Company dated 30 August 2023 and 6 September 2023; (iii) the terms and corresponding proposed annual caps of certain continuing connected transactions of the Company in November 2021, details of which were disclosed in the announcement of the Company dated 16 November 2021; and (iv) the terms and corresponding proposed annual caps of continuing connected transactions of the Company in August 2021, details of which were disclosed in the announcement of the Company dated 27 August 2021, we have not acted as an independent financial advisor to the Company's other transactions in the last two years from the date of this letter. The above appointments are/were limited to providing independent financial advisory services to the independent board committee and independent Shareholders of the Company pursuant to the Listing Rules, and we, in return, will/had received fixed normal advisory fees from the Company.

As at the Latest Practicable Date, save for the abovementioned appointments as the independent financial adviser, we did not have any other relationships or interests with the Company or its core connected persons or close associates that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with the current and previous appointments as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the Company or its core connected persons or close associates. Accordingly, we are not aware of any circumstances as set out in Rule 13.84 under the Listing Rules or any other matters which may cause us to have a conflict of interest and therefore, we are independent from the Company pursuant to Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the granting of Share Awards to the Connected Grantees.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete in all respects as at the date thereof and may be relied upon.

We have also assumed that all views, opinions and statements of intention provided by the Directors and the Management have been arrived at after due and careful enquiry. The Directors have confirmed to us that no material facts have been withheld or omitted from the information supplied and opinions expressed. We consider that we have been provided with, and have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position, plans, projections or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading. The Company will notify the Shareholders of any material changes as soon as possible subsequent to the Latest Practicable Date and up to the date of the Second Extraordinary General Meeting. If we shall become aware of any such material change, we will notify the Independent Shareholders of the potential impact, if any, on our opinion and/or recommendation set out in this letter as soon as possible.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the granting of Share Awards to the Connected Grantees, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our review and analyses were based upon, among others, the information provided by the Group including the Circular, the Share Award Scheme, the interim results of the Company for the six months ended 30 June 2023 (the “**2023 Interim Results**”), the annual reports of the Company for the year ended 31 December 2022 (“**2022 Annual Report**”) and the year ended 31 December 2021 (“**2021 Annual Report**”) and certain published information from the public domain. We have also discussed with the Directors and/or the Management with respect to the terms of and the reasons for the Share Awards, and considered that we have reviewed sufficient information to reach an informed view and to justify reliance on the information provided and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and supplied to us by the Directors and/or the Management nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, internal control, the works of the Remuneration Committee, profitability or prospects of the Group, the Connected Grantees and each of their respective associates, and the parties involved in the Share Awards.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the Share Awards, we have considered the following principal factors and reasons:

1. Background of the Share Award Scheme and Reasons for the Grant of the Share Awards

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.

Prior to the listing of the Company’s shares on the Stock Exchange in February 2004, the Company only had limited number of product offerings such as infusion sets, syringes and blood bags. Under the leadership of the Directors and other management, the Company has achieved remarkable growth both in terms of business scale and financial performance following its listing. The Directors had the foresight in identifying industry potential in various product segments. As compared to limited number of products offerings at the time of listing, the Group currently has six major divisions, namely medical device products, orthopaedic products, interventional products, pharma packaging products, blood management products and others. Besides, the Group has developed an extensive customer base through years of effort. As at 29 August 2023, the Group had a PRC customer base of 9,735 in aggregate (including 3,778 hospitals, 419 blood stations, 1,169 other medical units and 4,369 distributors) and an overseas customer base of 7,267 in aggregate (including 3,486 hospitals, 1,642 other medical units and 2,139 distributors).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total revenue of the Group amounted to approximately RMB407.8 million and profit for the year attributable to owners of the Company amounted to approximately RMB65.9 million for the year ended 31 December 2004, the year when the Company was listed. Total revenue of the Group of approximately RMB13,619.0 million for the year ended 31 December 2022 represented approximately 33.4 times of the total revenue in 2004 while profit for the year attributable to owners of the Company of approximately RMB2,723.3 million for the year ended 31 December 2022 represented approximately 41.3 times of the profit in 2004. With product upgrade and launching of new high value added products, the Group was able to increase the gross profit margin from approximately 40.0% for the year ended 31 December 2004 to approximately 52.2% for the year ended 31 December 2022 despite increasing costs and intense market competition over the years.

The Connected Grantees who are Selected Directors and Selected Supervisor to the Company, namely Mr. Long Jing, Mr. Cong Rinan, Mr. Tang Zhengpeng, Mr. Chen Lin and Mr. Zhang Zhuangqiu (as the case maybe), are instrumental to the Group's continuous development and growth over the years as discussed above.

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.

In order to motivate and retain the key management and employees, and to further align the interests of the Connected Grantees with the interests of the Company and the Shareholders, the Directors are of the view that it is important for the Company to provide the Connected Grantees with further incentives by offering them an opportunity to obtain or increase ownership interests in the Company. The Group did not have any option scheme or share incentive scheme since the listing of the Company's shares on the Stock Exchange in February 2004 until the adoption of the Share Award Scheme in 2014. The Share Award Scheme is allowed to issue a maximum of 5% of the then issued share capital of the Company for the purpose of motivating the grantees. The Board is of the view that the Share Awards under the Share Award Scheme serve to provide incentives to retain and incentivize the Connected 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. Therefore, the Board considers that the grant of the Share Awards to the Connected Grantees is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In determining the basis for granting the Share Awards (including how such number were arrived at) to each of the Grantees, the Remuneration Committee and the Board have considered the following factors: (1) the responsibilities of the Grantees; (2) the length of employment with the Group; (3) the past contribution or potential contribution of the Grantees to the development and growth of the Group; (4) the skill, knowledge, experience, expertise and other personal qualities of the Grantees; and (5) time commitment, responsibilities or employment conditions of the Grantees according to the prevailing market practice and industry standard.

The Award Shares to be allotted and issued would be Domestic Shares. The Company will seek the CSRC's registration for conversion of all the 97,850,000 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 into H Shares. It is expected that the conversion will not take place until after the third anniversary of the Date of Grant. The purpose of implementation of the H Share Full Circulation was to improve the liquidity of the shares of the Company, which would attract more potential investors investing in the shares of the Company, and in turn would be beneficial to the Company's long term development and Shareholders' interests as a whole. The purpose of the issuance of the Award Shares is to incentivize the Grantees. Although the Domestic Shares are not freely tradeable, if the Domestic Shares are not converted to H Shares, the Share Award Scheme also provides a mechanism for the Grantees to realize their shareholding as disclosed in the section headed "Disposal of Shares" under the letter from the board in the circular of the Company dated 30 September 2014. Given also the small percentage of H Shares that the Award Shares could be converted into in proportion to all issued H Shares, the Company considers that the issuance of the Award Shares is in compliance with the Share Award Scheme as approved by the Shareholders while not contradicting with the purpose of the H Share Full Circulation.

We have discussed with the Management regarding the Share Awards as an incentive to the Connected Grantees. According to the Management, they have considered several alternatives of providing incentives to the Connected Grantees. After careful consideration of the various alternatives, the Company considers the Share Awards to be the most appropriate option. As opposed to the other alternatives, including lump sum cash bonuses and remuneration increment, the grant of Share Awards will enable the Company to align the interests of the Connected Grantees with the overall development of the Company, ensuring a common interest between the Connected Employees and Shareholders. The Share Awards will add incentives to the Connected Grantees to make contribution to the Group while preventing cash outflow of the Group. In addition, since the vesting of the Share Awards is subject to the satisfaction of certain performance targets, the economic benefits of the Share Awards are tied to the improvement in the performances of the Group, creating a close correlation between the interests of the Connected Grantees and the Shareholders. The Connected Grantees can only benefit when the Shareholders are also in a position to benefit. As such, the Directors are of the view, and we concur that the Share Awards will further align the interests of the Connected Grantees with the Company together with the Shareholders. We understand from the Company that the Group has continued to invest in purchase of production facilities, plant construction and new production lines to meet the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

increasing sales demand for future market growth. As stated in the 2023 Interim Results, the Group has invested approximately RMB322.0 million in purchase of production facilities and plant construction for the purpose of enhancing the overall construction of the industrial zone for the Group's medical consumables. The Group also planned to invest approximately RMB200.0 million in the new production lines, of which are already underway and are expected to be successively put in operation by the end of 2025. Furthermore, construction is underway for the planned investment of approximately RMB198.0 million for upgrading and reconfiguration of the single-use consumables and orthopaedic consumables production equipment to further enhance the level of production automation. Therefore, the Company needs to maintain a stable and sufficient cash flow to support the expansion of the Group's business. The fund raised from the subscription price of the Award Shares will provide additional working capital to the Group for the expansion of product lines, the upgrade of production equipment and the research of new products, among other operational needs. In view of the foregoing reasons and possible benefits of the Share Awards to the Connected Grantees, we are of the opinion that the Share Awards to the Connected Grantees are in the interests of the Company and the Shareholders as a whole.

2. Backgrounds of the Connected Grantees

The Connected Grantees are the Selected Directors (being two executive Directors and two non-executive Directors), the Selected Supervisor (being a supervisor of the Company) and the Connected Employees (being 18 directors and/or supervisors of the Group's principal subsidiaries). All of the Connected Grantees have extensive experience in various industries and are instrumental to the Group's operation and they could contribute to the development of the Group in the best interests of the Company and the Shareholders. Further details of them are set out below:

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

In order to retain and incentivize Mr. Long and to encourage Mr. Long to continue to lead the Group and to set and execute the strategies, the Company awarded Mr. Long with 10,000,000 Award Shares, representing approximately 0.221% of the existing number of H Shares in issue as at the Latest Practicable Date.

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.

In order to retain and incentivize Mr. Cong and to encourage Mr. Cong to continue to implement the Group's strategies, the Company awarded Mr. Cong with 6,000,000 Award Shares, representing approximately 0.133% of the existing number of H Shares in issue as at the Latest Practicable Date.

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.

In order to retain and incentivize Mr. Tang and to encourage Mr. Tang to continue to participate in the Group's major decisions and support the financial management and capital operation, the Company awarded Mr. Tang with 4,000,000 Award Shares, representing approximately 0.088% of the existing number of H Shares in issue as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 the business goals.

In order to retain and incentivize Mr. Chen and to encourage Mr. Chen to continue to participate in setting the Group's strategies and coordinate all the resources of the Group, the Company awarded Mr. Chen with 5,000,000 Award Shares, representing approximately 0.111% of the existing number of H Shares in issue as at the Latest Practicable Date.

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.

In order to retain and incentivize Mr. Zhang and to encourage Mr. Zhang to continue to take in charge of the production and operation of medical device product segment, the Company awarded Mr. Zhang with 800,000 Award Shares, representing approximately 0.018% of the existing number of H Shares in issue as at the Latest Practicable Date.

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. Set out below is the position and major responsibilities of each of the Connected Employees, their respective years of service, their respective number of Share Awards, their respective number of H Shares to be converted and their approximate percentage to the existing number of H Shares in issue as at the Latest Practicable Date:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name of Grantee	Position and major responsibilities	Years of service	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 Latest Practicable Date
Wu Xuefeng	Chief Financial Officer of the Company and supervisor of a subsidiary; responsible for the financial management of the Company	17	800,000	800,000	0.018%
Lei Zhigang	Director of a subsidiary; responsible for the formulation and implementation of the Group's digital strategy	2	800,000	800,000	0.018%
Wang Shengyun	Director of a subsidiary; responsible for the research and development of one of the Group's product lines	6	500,000	500,000	0.011%
Tian Shidan	Director of a subsidiary; responsible for the operation of one of the Group's product lines	22	600,000	600,000	0.013%
Cheng Yunliang	Director of a subsidiary; responsible for the design and production of one of the Group's product lines	22	200,000	200,000	0.004%
Ma Cai	Director of a subsidiary; responsible for the operation of one of the Group's product lines	10	400,000	400,000	0.009%
Lv Jun	Director of a subsidiary; responsible for the regional operation and management	23	500,000	500,000	0.011%
Liang Suyang	Director of a subsidiary; responsible for the operation of one of the Group's product lines	21	200,000	200,000	0.004%
Wang Xiaoming	Director of a subsidiary; responsible for the operation of one of the Group's product lines	3	400,000	400,000	0.009%
Zhang Dehai	Director of a subsidiary; responsible for the operation of one of the Group's product lines	20	600,000	600,000	0.013%
Lou Zhenhai	Director of a subsidiary; responsible for the research and development of one of the Group's product lines	4	800,000	800,000	0.018%
Wang Daoming	Director of a subsidiary; responsible for the operation of one of the Group's product lines	15	1,000,000	1,000,000	0.022%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name of Grantee	Position and major responsibilities	Years of service	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 Latest Practicable Date
Li Xueke	Director of a subsidiary; responsible for the operation of one of the Group's product lines	20	600,000	600,000	0.013%
Zhang Yong	Director of a subsidiary; responsible for the sales operation of the Group's overseas market	25	1,000,000	1,000,000	0.022%
Li Xiaoyan	Director of a subsidiary; responsible for the overall marketing of one of the Group's product lines	20	2,000,000	2,000,000	0.044%
Qu Yun	Supervisor of a subsidiary; responsible for the sales management of one of the Group's product lines	25	200,000	200,000	0.004%
Xia Zhebin	Director of a subsidiary; responsible for the operation of one of the Group's product lines	6	200,000	200,000	0.004%
Hou Yankui	Director of a subsidiary; responsible for the regional marketing	20	300,000	300,000	0.007%
Total			<u>11,100,000</u>	<u>11,100,000</u>	<u>0.245%</u>

We have reviewed the biographies, work positions, job duties and years of service with the Group for each of the Connected Grantees. We noted that the Connected Grantees (i) hold senior positions in various business lines of the Group which are instrumental to the overall operation of the Group; (ii) have worked with the Group for 2 years to 25 years; (iii) have a different level of contribution to the continuous growth and development of the Company over the years. As stated in the Letter from the Board, each of the Connected Grantees is capable of adding value to the Group's business by leveraging their professional expertise and experience. The Company is of the view, and we concur, after taking into account the abovementioned, that it is important to retain and incentivize the Connected Grantees to continue leading and serving the Group in order to enhance the competitiveness of the Group and to maintain the Group's leading position in the medical device industry.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal Terms of the Share Awards

The Share Awards will be granted under the following terms pursuant to the Share Award Scheme adopted by the Company on 17 November 2014 and the Award Shares are Domestic Shares:

- Number of Share Awards : 97,850,000 Domestic Shares of which 36,900,000 Domestic Shares will be granted to the Connected Grantees.
- 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 date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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. Individual performance target varies across different departments. Individuals may be assessed in areas including but not limited to fulfilment of department-specific goals, ability to cooperate with team members and supervisors' satisfaction towards the work performance. The department-specific goals will be in support of the overall performance target of the Company. For instance, the individual performance target can be set based on sales key performance index (KPI) for marketing personnels whereas the individual performance target can be set based on number, progress, and phase results etc. of trial experiments completed for research and development personnels. The full mark of the assessment is 100 and any individual attaining 90 marks or above is considered to be able to satisfy the individual performance target.

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.

Clawback mechanism : 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. Further, in the event that a Grantee has committed serious misconduct including violation of laws, employment contract terms, professional ethics, any restrictions stipulated under the Share Award Scheme or loyalty obligations to the Company or been terminated from employment due to serious breach of internal rules and regulations of the Group, all Share Awards held by such Grantee that are subject to lock-up will be transferred back to the trustee of the Share Award Scheme.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Rights attached to the Award Shares : The Award Shares, once vested, will rank *pari passu* in all respects among themselves and with other Shares, subject to the following restrictions:
- (i) the Award Shares are subject to a 36-month lock-up period from the registration date of allotment;
 - (ii) dividends declared or paid prior to vesting will be retained by the trustee of the Share Award Scheme and will be transferred to the Grantees upon vesting; and
 - (iii) the trustee of the Share Award Scheme shall abstain from voting prior to vesting. Further, the Grantees will not exercise voting rights attached to the Award Shares after vesting.
- 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 Grant.
- 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 awarded shares was set. The Grantees can exercise the share awards in anytime upon vesting.

Conditions

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 Second Extraordinary General Meeting in respect of the grant of the Share Awards to the Core Employees and the issuance and allotment of the Award Shares to all the Grantees; and
- (ii) the registration with the CSRC in respect of the Company's plans for the issue and allotment of the Award Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, subject to the above conditions, as required under Rules 14A.03 and 14A.36 of the Listing Rules, the grant of the Share Awards to the Selected Directors, the Selected Supervisor and the Connected Employees are 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 are subject to separate approval by the Shareholders other than themselves, their associates and all core connected persons of the Company.

As at the Latest Practicable Date, none of the conditions have been satisfied.

The Company will not seek shareholders' approval under separate resolution to approve the grant of Award Shares to each of the Connected Grantees. As stated in the Letter from the Board, as a matter of internal commercial policy, the Company is of the view that the grants to all Grantees are linked, forming one single unit and significant proposal, which is to grant an aggregate of 97,850,000 Share Awards to selected eligible employees, being a total of 270 Grantees for this round. In this regard, the issue and allotment of a total of 97,850,000 Domestic Shares was proposed as one single resolution pursuant to the relevant PRC laws and regulations. From the perspective of the Company, as far as the grant of Share Awards are concerned, the entitlement of the Connected Grantees are no different to the other 247 employees and it is impractical for the Company to propose separate resolution for each and every Grantee. Taking into account that (i) except for the number of entitlements and performance targets, the terms of the Share Awards granted to each Grantee are the same; and (ii) the grant of Share Awards is to incentivize the Grantees, no matter they are Connected Grantees or not, 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, we concur that the grant of Share Awards to all Grantees should be considered as linked, forming one single unit and significant proposal and no separate resolution is considered as necessary for each and every Grantee.

As advised by the PRC legal advisor of the Company, the Company's plans for the issue and allotment of the 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 grant of Share Awards (irrespective of whether the Grantee is or is not a connected person) is subject to the approval of the Independent Shareholders. As advised by the PRC legal advisor of the Company, apart from the CSRC's registration, the issuance of Award Shares will not be subject to other PRC prepositive approval, as such upon completing the CSRC's registration and subject to the registration and filing procedures after the issuance of Award Shares as required under the PRC laws and regulations being completed, the issue and allotment of Award Shares will be deemed compliant with the relevant PRC laws.

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Proposed conversion of the Award Shares into 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 into H shares. It is expected that the conversion will not take place until after the third anniversary of the Date of Grant.

Subject to completion of 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.

In the event that CSRC's registration is not completed, the Domestic Shares will be issued in compliance with the relevant laws of the PRC.

Market price 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 implied market value of the Award Shares granted to the Connected Grantees and other employees who are not connected persons of the Company amounted to approximately HK\$287,820,000 and HK\$475,410,000 respectively.

4. Assessment of fairness and reasonableness of the principal terms

Vesting period and vesting conditions

To assess the fairness and reasonableness of the principal terms of the Share Awards, we have, to our best effort basis and knowledge, identified 44 precedent awards in relation to the grant of shares by companies listed on the Main Board of the Stock Exchange under various share award schemes to their connected persons with disclosure of vesting years in the relevant announcements (the "**Precedent Awards**") from 1 May 2023 up to the Date of Grant (the "**Review Period**") and they are exhaustive. We considered the Precedent Awards to be fair and representative as they provided the general market norm of granting the award shares to connected grantees in the open market in recent times which in turn reflected the recent market practice in respect of the issue and allotment of Awards Shares. Set out below is the list of Precedent Awards during the Review Period:

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Company Name	Stock Code	Date of announcement	Performance related vesting condition	Vesting Years	Dilution effect of the granted shares ^{Note}	Discount of the subscription price to the closing price of the date of grant
Lever Style Corporation	1346	31-Aug-23	None	4 years	0.87%	100%
Fosun International Limited	656	31-Aug-23	Overall performance and personal performance	3 years	0.02%	100%
Chinasoft International Limited	354	30-Aug-23	Overall performance and personal performance	Up to 8 years	4.98%	100%
Wuxi Biologics (Cayman) Inc.	2269	24-Aug-23	Overall performance	5 years	0.39%	100%
Smooere International Holdings Limited	6969	23-Aug-23	Personal performance	4 years	0.41%	100%
Brii Biosciences Limited	2137	23-Aug-23	None	4 years	0.30%	100%
HSBC Holdings plc	5	21-Aug-23	None	Up to 7 years	0.004%	100%
Chow Tai Fook Jewellery Group Limited	1929	10-Aug-23	Overall performance and personal performance	Approximately 3 years	0.02%	100%
NetDragon Websoft Holdings Limited	777	27-Jul-23	None	Approximately 1 year	0.05%	100%
Meituan	3690	24-Jul-23	None	Up to 4 years	0.06%	100%
Graphex Group Limited	6128	24-Jul-23	None	1 year	2.94%	100%
ESR Group Limited	1821	20-Jul-23	Overall Performance	Approximately 4 years	0.03%	100%
Angelalign Technology INC.	6699	19-Jul-23	None	Up to 7 years	0.03%	100%
Beijing Enterprises Water Group Limited	371	13-Jul-23	Not specified	1 year	0.13%	100%
China Star Entertainment Limited	326	12-Jul-23	Overall Performance	Approximately 1 year	6.67%	100%
Kingmaker Footwear Holding Limited	1170	7-Jul-23	None	Immediately vested	0.10%	100%
Clarity Medical Group Holding Limited	1406	4-Jul-23	Personal performance	Up to 4 years	6.71%	100%
Yidu Tech Inc.	2158	3-Jul-23	Personal performance	Approximately 4 years	0.30%	100%
China Renaissance Holdings Limited	1911	1-Jul-23	None	3 years	0.49%	100%
Zai Lab Limited	9688	29-Jun-23	None	Up to 4 years	0.21%	100%
C-MER Eye Care Holdings Limited	3309	28-Jun-23	None	2 years	0.01%	100%
KE Holdings Inc.	2423	27-Jun-23	None	Approximately 1 year	0.001%	100%
Vitasoy international holding limited	345	26-Jun-23	None	4 years	0.15%	100%
BeiGene, Ltd.	6160	15-Jun-23	None	4 years	2.78%	100%
Shimao Services Holding Limited	873	19-Jun-23	Personal performance	2 years	0.14%	100%
Kanzhun Limited	2076	15-Jun-23	None	Up to 4 years	0.15%	100%
Li Auto Inc.	2015	15-Jun-23	None	Up to 5 years	0.99%	99.42%

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Company Name	Stock Code	Date of announcement	Performance related vesting condition	Vesting Years	Dilution effect of the granted shares ^{Note}	Discount of the subscription price to the closing price of the date of grant
Alibaba Health Information Technology Limited	241	15-Jun-23	None	Up to 6 years	0.36%	100%
Alibaba Pictures Group Limited	1060	20-Jun-23	None	Up to 6 years	0.86%	100%
BOC Aviation Limited	2588	9-Jun-23	Not specified	Approximately 3 years	0.24%	100%
Graphex Group Limited	6128	20-Jun-23	None	Up to 2 years	4.53%	100%
New Horizon Health Limited	6606	9-Jun-23	Overall performance and personal performance	Up to 9 years	0.60%	100%
IS Global Lifestyle Company Limited	1691	6-Jun-23	Not specified	3 years	1.48%	100%
SciClone Pharmaceuticals (Holdings) Limited	6600	5-Jun-23	Overall performance and personal performance	Approximately 2 years	0.38%	100%
InnoCare Pharma Limited	9969	2-Jun-23	Overall performance and personal performance	5 years	0.41%	43.40%
Samsonite International S.A.	1910	8-Jun-23	Overall performance and personal performance	3 years	0.55%	100%
IMAX China Holding, Inc.	1970	7-Jun-23	None	3 years	0.18%	100%
Prudential plc	2378	30-May-23	Overall performance	3 years	0.02%	100%
Genscript Biotech Corporation	1548	1-Jun-23	Overall performance and personal performance	Up to 5 years	0.54%	100%
Ascentage Pharma Group International	6855	19-May-23	Personal performance	Approximately 1 year	0.43%	100%
China Star Entertainment Limited	326	29-May-23	Overall performance	Approximately 1 year	6.67%	100%
HSBC Holdings plc	5	17-May-23	None	Up to 7 years	0.01%	100%
Homeland Interactive Technology Ltd.	3798	9-May-23	None	Approximately 1 year	1.50%	100%
China Communications Construction Company Limited	1800	4-May-23	Overall performance and personal performance	Immediately vested	0.99%	58.16%
			Minimum	Immediately vested	0.001%	43.40%
			Maximum	9 years	6.71%	100%
			Average	3.5 years	1.11%	97.75%
			Median	3.5 years	0.37%	100%

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Note: the dilution effect of the granted shares represents the percentage of shares to the awardees granted to the total issued shares of the relevant company as at the date of the grant.

Out of the 44 Precedent Awards, no precedent case involves the issue of non-listed domestic shares. Since the Company will seek for relevant approvals to convert the Award Shares into H Shares, we consider the above Precedent Awards to be relevant and justifiable.

The vesting periods of the Precedent Awards ranged from immediate vesting to up to 9 years. The vesting period of the Share Awards has a vesting period of up to 5 years, which falls within the range of the Precedent Awards and is longer than the average and median vesting period of the Precedent Awards.

We noted that the vesting of the Share Awards is subject to the satisfaction of certain performance targets, which include overall performance target of the Company and personal performance target for each Grantee. The overall performance target of the Company is determined based on the Company's annual strategic planning data. The personal performance target include reaching a number of KPI points as set by the Remuneration Committee annually. As advised by the Management, the setting of performance targets can provide ample motivations and incentives for the Grantees contributing to the Group's overall development and business success. We are also of the view that the existence of such mechanism provides motivations and incentives for the Grantees.

Having considered (i) the vesting period of the Share Awards falls within the range of the Precedent Awards and is longer than the average and median vesting period of the Precedent Awards; (ii) vesting conditions (i.e. performance targets) of the Share Awards is comparable to the market practice for granted shares under Precedent Awards, we are of the view that the vesting period and vesting conditions of the Share Awards is reasonable so far as the Independent Shareholders are concerned.

Subscription price

We noted that most Precedent Awards did not require the relevant grantees to pay a subscription price for their awarded shares, while the Grantees (including the Connected Grantees) are required to pay a subscription price of RMB4.74 (being 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). Such subscription price represented a discount of approximately 33.45% to the closing price of the Shares at the Date of Grant. Such discount is lower than the range of the Precedent Awards from 100% discount (i.e. at nil subscription price) to approximately 43.40% discount to the closing price of the Shares at the Date of Grant. In light of this, we are of the view that the subscription price, which is no less favourable than those from the Precedent Awards, is fair and reasonable.

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5. Financial impact of the Share Awards

The value of the Award Shares will be allocated and charged as share-based payment expenses of the Group for the relevant financial year throughout the vesting period. In addition, the Company estimated that the relevant expenses of the grant of the Share Awards would be amounted to approximately RMB696,905,313. Save for the above, there are no other material charges to the Group's consolidated statement of profit and loss.

Taking into consideration the subscription price of RMB4.74 per Award Share, the Group will raise approximately RMB463,809,000 (equivalent to approximately HK\$508,241,902) from the issue and allotment of the Award Shares and the funds will be utilized as general working capital of the Group.

6. Potential dilution of the shareholding interests of the existing public Shareholders

The Award Shares to be issued and allotted would be Domestic Shares. The Company will seek the CSRC's registration for conversion of all the Award Shares into H Shares. Subject to completing the CSRC's registration for conversion of the Award 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.

As at the Latest Practicable Date, the Company had 4,522,332,324 H Shares and 48,300,000 Domestic Shares in issue. Assuming full conversion of all the Award Shares into H Shares, the 97,850,000 Award Shares to be issued represent approximately 2.164% of the number of H Shares in issue as at the Latest Practicable Date and approximately 2.118% of the number of H Shares as enlarged by the issue of the Award Shares.

In order to form our view on the dilution effect of the issue and allotment of the Award Shares to the existing shareholders, we have considered the dilution of the Precedent Awards. The dilution effect of the granted shares of the Precedent Awards represents approximately 0.001% to approximately 6.71% of the total issued shares of the relevant companies as at the date of the grant, with an average of approximately 1.11%. The dilution effect of the Share Awards of approximately 2.164% falls within the range of dilution effect of Precedent Awards and is comparable to the average dilution effect of the Precedent Awards.

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Taking into account that (i) the potential dilution effect of the grant of Share Awards is insignificant to the Independent Shareholders and there will be no substantial cash outflow by the Company under the grant of Share Awards to Connected Grantees; (ii) the dilution effect of the Share Awards falls within the range of dilution effect of Precedent Awards; and (iii) the reasons for the grant of the Share Awards, in particular, the grant of the Share Awards provides incentive to retain and incentivise the Connected Grantees to continue leading 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, we consider that potential dilution effect of the grant of Share Awards is acceptable so far as the Independent Shareholders are concerned.

Recommendation

Having considered the above principal factors and reasons, we consider that although the grant of Share Awards to Connected Grantees is not in the ordinary and usual course of business of the Group, the terms of the Share Awards are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the special resolution(s) in respect of the grant of Share Awards to Connected Grantees and the transactions contemplated thereunder at the Second Extraordinary General Meeting.

Yours faithfully,

For and on behalf of

China Galaxy International Securities (Hong Kong) Co., Limited

Jessica Lee

Managing Director

Investment Banking

Note: Ms. Jessica Lee is a licensed person registered with the SFC and is a responsible officer of China Galaxy International Securities (Hong Kong) Co., Limited to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Ms. Jessica Lee has over 18 years of experience in securities and investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

1. Interests and short positions of the Directors and the chief executive in the share capital and associated corporations of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (the “**Model Code**”), will be as follows:

(i) Long positions in the Shares of the Company

Director	Nature of interest (long position)	Number of Shares	Approximate percentage of Shareholding (%)
Mr. Long Jing	Beneficial Owner	6,480,000 ⁽¹⁾	0.142
Mr. Cong Rinan	Beneficial Owner	2,200,000 ⁽²⁾	0.0481
Mr. Chen Lin	Beneficial Owner	196,000 ⁽³⁾	0.004
Mr. Ni Shili	Beneficial Owner	2,800,000 ⁽⁴⁾	0.061

Notes:

(1) Comprises 480,000 H Shares and 6,000,000 Domestic Shares.

(2) Comprises 200,000 H Shares and 2,000,000 Domestic Shares.

- (3) Mr. Chen Lin, the son of Mr. Chen Xue Li, an ultimate de facto controller of Weigao Holding Company Limited, holds 196,000 H Shares, representing 0.004% of the issued share capital of the Company.
- (4) Comprises 400,000 H Shares and 2,400,000 Domestic Shares.

(ii) Long positions in the registered capital of Weigao Holding

Director	Nature of interest (long position)	Number of Shares	Approximate percentage of Shareholding (%)
Mr. Chen Lin	Beneficial Owner	9,760,000	0.81

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or any of their spouses or children under the age of 18 was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and debentures of the Company or any of its holding company, subsidiaries or other associated corporation (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries been participated in any arrangements to enable the Directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of Shares or underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

2. Interests and short positions of substantial Shareholders and other parties in the Shares and underlying Shares of the Company

As at the Latest Practicable Date, other than the interests and short positions of certain directors and chief executive as disclosed under the paragraph above, the interests and short positions of persons in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under section 336 of the SFO were as follows:

Shareholder	Nature of interest (long position)	Number of Shares	Approximate percentage of Shareholding (%)
Weigao Holding ^(Note)	Beneficial interest	2,099,755,676	45.94

Note: Weigao Holding directly holds 1,982,755,676 Shares and indirectly holds 117,000,000 Shares through its wholly owned subsidiary, Wego International Capital Holding Corporation Limited* (威高國際資本有限公司). Weigao Holding is 89.83% controlled by Weihai Weigao International Medical Investment Holding Company Limited* (威海威高國際醫療投資控股有限公司), which in turn is 51.7% controlled by Mr. Chen Xueli and 7.4% by Mr. Chen Lin.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
China Galaxy International Securities (Hong Kong) Co., Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice and opinion and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up. As at the Latest Practicable Date, there is no other contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

8. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.weigaogroup.com) from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) a copy of the Share Award Scheme;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 25 to 45 of this circular;

- (c) the written consent from the expert referred to in paragraph headed “Qualification and consent of expert” in this appendix;
- (d) the memorandum and articles of association of the Company; and
- (e) this circular.

9. MISCELLANEOUS

In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

ARTICLE 20

Article 20 of the Articles be deleted in its entirety and replaced by the following:

“Subject to the review and approval by the regulatory authorities authorised by the State Council, the total number of ordinary shares issued by the Company is 4,668,482,324 shares.

At the time of establishment of the Company, an aggregate of 60,000,000 shares were issued to the promoters (as approved by the China Securities Regulatory Commission, the shares of RMB1 per share were subdivided into RMB0.1 per share when the Company was listed on the Growth Enterprise Market of the Hong Kong Stock Exchange in 2004 and the number of shares was subsequently changed to 600,000,000), representing approximately 12.85% of the total number of ordinary shares that may be issued by the Company.

After its establishment, the Company issued 4,068,482,324 ordinary shares, of which 3,922,332,324 ordinary shares were overseas listed shares (including overseas listed foreign invested shares issued pursuant to the exercise of the over-allotment option), representing approximately 84.02% of the total number of ordinary shares issued by the Company and 146,150,000 shares were domestic shares, representing 3.13% of the total number of ordinary shares issued by the Company.

The share capital structure of the Company is as follows: The total number of issued ordinary shares is 4,668,482,324 shares. Among such shares, 4,522,332,324 ordinary shares are overseas listed shares, representing 96.87% of the total ordinary shares issued by the Company, and 146,150,000 ordinary shares are domestic shares, representing 3.13% of the total ordinary shares issued by the Company.”

ARTICLE 24

Article 24 of the Articles be deleted in its entirety and replaced by the following:

“The registered capital of the Company is RMB466,848,232.4.”

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING

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)

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting (the “**Second Extraordinary General Meeting**”) of the shareholders of 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)(the “**Company**”) will be held at 2/F, 1 Weigao Road, Torch Hi-tech Science Park, Weihai, Shandong Province, PRC at 9:30 a.m. on Friday, 13 October 2023 or immediately following the conclusion of the previous extraordinary general meeting for the purpose of considering and, if thought fit, passing the following resolution of the Company.

Unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular (the “**Circular**”) of the Company dated 18 September 2023, of which this notice forms part.

SPECIAL RESOLUTIONS

1. **Resolution in relation to the framework of allotment of Domestic Shares:** The Company proposed to allot 97,850,000 Domestic Shares under relevant terms of the Share Award Scheme to fulfil the grant of the Share Awards, and put forward to general meeting of Shareholders for consideration, the details are as follow:

Class of shares and its par value	:	the class of shares to be allotted and issued to and subscribed by the PRC onshore domestic investor(s) are domestic shares of par value RMB0.10 each in the capital of the Company
Number of Shares to be allotted and issued	:	the number of Shares to be allotted and issued shall not exceed 97,850,000

* For identification purpose only

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING

- Allottees and pre-emption rights : the shares will be allotted and issued to not more than 35 limited partnerships. The limited partners of the limited partnerships comprise Directors, supervisor, senior management and core management of the Company. Members of the Core Employees have been selected by the Board, presented to all employees for opinions, approved by the employee representative committee and the supervisor committee and approved by the general meeting of Shareholders. The Domestic Shares will only be issued to the abovementioned eligible participants. There is no pre-emption right for the other shareholders of the Company. Specific allottees are determined by the board of Directors and its authorized persons subject to the requirements of the onshore and offshore regulatory authorities including the Stock Exchange, the market environment and the actual position of the Company
- Basis of the issue price : the issue price was determined in accordance with the terms of the Share Award Scheme, which is 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 (RMB4.74 per share)
- Method of allotment : allotment will be made to the specific grantees

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING

- Lock-up : the Domestic Shares allotted and issued to the Grantees will be subject to a 36-month lock-up commencing from date of the issue, which shall be the date of which the Domestic Shares are registered with China Securities Depository and Clearing Corporation Limited. Each of the Director, supervisor, senior management and Core Employees shall achieve the performance targets, and the Domestic Shares held by them through the limited partnerships may not be transferred before achieving the performance targets. Furthermore, the Domestic Shares held by the allottees shall comply with the Company Law of the PRC, and all rights or restrictions or prohibitive provisions set out by the CSRC or its agents with respect to the transfer of shares, and the Articles. Except for the aforementioned lock-up, the Company has not set any other transfer restrictions on the allottees
- Use of proceeds : as general working capital of the Company
- Distribution : upon completion of the issuance of the Domestic Shares, any accumulated undistributed profits of the Company prior to the issuance may be shared by all the existing shareholders of the Company and the allottees in accordance to their respective shareholding
- Validity period of the resolution : this resolution in relation to issuance and allotment of Domestic Shares to specific grantees shall be valid for a period of 12 months commencing from the date of passing of this resolution
2. **Resolution in relation to the grant of Share Awards to Core Employees:** Under the provision of Measures for the Supervision and Administration of Unlisted Public Companies* (非上市公眾公司監督管理辦法), the Company proposed to grant Share Awards to the grantees including the Core Employees and now hereby nominated the employees marked with “Core Employees” under the “Position” column listed in the list of grantees (a copy of which is produced to this meeting, marked “A” and initialled by the chairman of the Second Extraordinary General Meeting for the purpose of identification, the “**Grantees List**”) as Core Employees.

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING

3. **Resolution in relation to the grant of Share Awards to the Connected Grantees:** In light of the requirement under Chapter 14 of Listing Rules, the grant of a total of 25,800,000 Share Awards and a total of 11,100,000 Share Awards to the “connected persons at the listed company level” and “connected employees at the subsidiary level” as identified in the Grantees List are hereby approved and confirmed.
4. **Resolution in relation to the grant of Share Awards to the Grantees exceeding 0.1% of the issued share of the Company:** In light of Chapter 17 of the Listing Rules, the grant of 10,000,000 Share Awards to Mr. Long Jing is hereby confirmed and approved.
5. **Resolution in relation to the grant of Share Awards to the Grantees exceeding 0.1% of the issued share of the Company:** In light of Chapter 17 of the Listing Rules, the grant of 6,000,000 Share Awards to Mr. Cong Rinan is hereby confirmed and approved.
6. **Resolution in relation to the grant of Share Awards to the Grantees exceeding 0.1% of the issued share of the Company:** In light of Chapter 17 of the Listing Rules, the grant of 5,000,000 Share Awards to Mr. Chen Lin is hereby confirmed and approved.
7. **Resolution in relation to authorizing the Board to handle all matters in connection with the proposed allotment of the Domestic Shares:** In light of the works involved in the targeted issuance of Domestic Shares, the Board hereby proposed to the Shareholders to authorize the Board, in which delegation will be made by the Board to the chairman of the Board, either acting singly or collectively, to approve and handle all matters in connection with the allotment of the Domestic Shares, including but not limited to the following:
 - Subject to and within the authority given by the shareholders for the allotment of the Domestic Shares, and also subject to the requirements of the onshore and offshore regulatory authorities including the Stock Exchange, the market environment and the actual position of the Company, to amend, refine and organize the implementation of the terms of issuance, including the number of Domestic Shares to be issued, the issue price, the basis of the issue price, the allottees, the time of the allotment, the use of proceeds, the lock-up, and other related matters. Should there be changes in the relevant laws, regulations or regulatory documents or changes in regulatory policies or changes in market conditions, to amend the terms of the issuance (including suspension or termination of the allotment) except for those amendments that are required to be subject to the approval by shareholders of the Company under the applicable laws, regulations, regulatory documents and Articles.

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING

- Subject to the framework of allotment under this resolution, to determine, sign, execute and complete the relevant employees' shareholding plan, the Management Measures* (管理辦法) and other documents and related matters in relation to the allotment and issue of the Domestic Shares.
- Subject to the framework of allotment under this resolution, to complete registrations and filing, to obtain consents and carry out all other necessary procedures with the onshore and offshore regulatory authorities (including but not limited to the CSRC and the State Administration for Market Regulation and its branches (SAIC)) and the Stock Exchange; to sign, execute, amend and complete all relevant filings (including but not limited to the shareholders' resolutions approving the issuance, the board resolutions approving the issuance, the application documents, the Targeted Issuance and Allotment Manual* (定向發行說明書), the Recommendation Work Report by the Placing Agent in relation to the Allotment* (主辦券商定向發行推薦工作報告) and legal opinions) in connection with the issuance, and to do all such acts necessary or appropriate in connection with the issuance.
- To draft, amend, sign, file, publish, disclose, execute, suspend or terminate any agreement, contract, announcement, circular or other related legal documents in connection with the issuance; to engage, decide and settle the fees incurred by any financial advisers, securities underwriters, legal advisers, accounting firms, assets valuers and other agents in connection with the issuance.
- To make corresponding amendments to the Articles in relation to the registered capital, shareholding structure and to file and register all such amendments with the relevant registration authorities and other governmental authorities upon completion of the issuance of the Domestic Shares.
- Upon completion of the targeted issuance, to increase the registered capital of the Domestic Shares of the Company in accordance with the allotment and to carry out all relevant approval procedures with the regulatory authorities and to make relevant registrations and filings with the SAIC (including but not limited to application for change of particulars of the company and the application for the exchange and issuance of business registration).
- To carry out all registration procedures with China Securities Depository and Clearing Corporation in relation to the issuance of the Domestic Shares.
- To carry out all necessary actions in relation to the issuance of the Domestic Shares subject to the relevant laws and regulations.

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING

8. **Resolution in relation to the Proposed Amendments:** Subject to the fulfilment of all the relevant conditions and/or all necessary approvals and/or consents from the relevant PRC authorities and bodies being obtained and/or the procedures as required under the laws and regulations of the PRC being completed, the Proposed Amendments as set out in the Circular be and are hereby confirmed and approved and that the Chairman of the Company is hereby authorized to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to such resolution.

The authorizations in the above resolutions shall be valid for a period of 12 months commencing from the date of passing in the general meeting of Shareholders. Depending on the actual circumstances, the Board may submit to the general meeting of Shareholders for consideration and approval to extend the validity period of the authorizations as appropriate.

By Order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Long Jing
Chairman

Weihai, Shandong, the PRC

18 September 2023

Notes:

- (1) Any Shareholders who has the right to attend and vote at the Second Extraordinary General Meeting is entitled to appoint one proxy (or more) in writing to attend the Second Extraordinary General Meeting and vote on his/her behalf in accordance with the Company's Articles. The proxy needs not be a Shareholder. Enclosed herewith is a form of proxy for use in the Second Extraordinary General Meeting. Any Shareholder who wishes to appoint a proxy should first review the form of proxy for use in the Second Extraordinary General Meeting. For any Shareholder who has appointed more than one proxies, such proxies shall only vote on poll. In the case of joint registered holders, the proxy form may be signed by any joint registered holder. In the case that more than one of such joint registered holders are present at any meeting personally or by proxy, then one such joint registered holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (2) All Shareholders shall appoint its proxy in writing. To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or certified by a notary or an official copy of that power of attorney or authority, must be delivered at the Company's H Shares registrar, Tricor Standard Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 24 hours before the time appointed for holding Second Extraordinary General Meeting or 24 hours before the time designated for voting. Any shareholder entitled to attend and vote at the above meeting is entitled to appoint one or, if he/she is the holder of two or more shares, more proxies to attend and vote in his stead. A proxy needs not be a shareholder of the Company.

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING

- (3) Shareholders and their proxies attending the Second Extraordinary General Meeting shall produce their proof of identification.
- (4) For the purpose of determining the identity of shareholders who are entitled to attend and vote at the Second Extraordinary General Meeting, the register of members will be closed from Tuesday, 10 October 2023 to Friday, 13 October 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending at the Second Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 9 October 2023.
- (5) The Second Extraordinary General Meeting is expected not to exceed half a day, and all shareholders and proxies shall be responsible for their own traveling and accommodation expenses.
- (6) All votes of the Shareholders at the general meetings must be taken by poll.
- (7) Any enquiries about this notice and the Second Extraordinary General Meeting shall be sent for the attention to Ms. Yan Yucai at 6/F, 1 Weigao Road, Weihai Torch Hi-tech Science Park, Weihai, Shandong Province, the PRC (Tel. (86) 631 5660715) or Ms. Phillis Wong at 29/F, Two Chinachem Central, 26 Des Voeux Road Central, Hong Kong (Tel: (852) 28381490).
- (8) The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.

As at the date of this notice, the board of directors (“**Directors**”) of the Company 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