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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 : 8199)

First Quarterly Report

* For identification purposes only

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This report, for which the directors (the "Directors") of Shandong Weigao Group Medical Polymer Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM 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: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

For the three months ended 31 March 2006, the Company and its subsidiaries (the "Group") recorded an unaudited revenue of approximately RMB161,812,000, representing an increase of approximately 42.1% over RMB113,912,000 of the corresponding period in the previous year.

The unaudited net profit attributable to the shareholders of the Company amounted to approximately RMB25,786,000, representing an increase of approximately 55.7% over RM16,562,000 of the corresponding period in the previous year.

The board of Directors (the "Board") does not recommend the distribution of a dividend for the three months ended 31 March 2006.

UNAUDITED CONSOLIDATED INCOME STATEMENT

The Board is pleased to announce the unaudited consolidated income statement of the Group for the first quarter ended 31 March 2006, together with the comparative figures for the corresponding period in 2005 as follows:

		Unaudited For the three months ended 31 March	
	Note	2006 *RMB'000*	2005 *RMB'000*
Revenue	3	161,812	113,912
Cost of sales		(95,066)	(70,402)
Gross profit		66,746	43,510
Other operating income		4,309	2,104
Distribution costs		(27,030)	(16,257)
Administrative expenses		(11,849)	(6,865)
Finance costs	5	(5,155)	(5,011)
Share of profit of a jointly controlled entity		2,086	59
Profit before taxation	6	29,107	17,540
Taxation	7	(866)	—
Profit for the period		28,241	17,540
Profit attributable to:			
Equity holders of the Company	8	25,786	16,562
Minority interests		2,455	978
		28,241	17,540
Dividend	9	—	—
Earnings per share (Basic)	10	RMB0.027	RMB0.019

Notes:

1. **General**

The Company was established and registered as a joint stock company with limited liability in the People's Republic of China (the "PRC") under the Company Law of the PRC on 28 December 2000. Its ultimate holding company is Weigao Holding Company Limited ("Weigao Holding"), a company registered in the PRC with limited liability.

The Group is principally engaged in the research and development, production and sale of single-use aseptic polymer medical products.

The Company's shares have been listed on GEM since 27 February 2004.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and all of the subsidiaries.

2. **Basis of preparation and accounting policies**

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the relevant disclosure requirements of the Rules Governing the Listing of Securities on GEM.

These financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2005.

In 2004, the HKICPA issued a number of new and amended Hong Kong Financial Reporting Standards ("HKFRSs") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs had no material effect to the preparation of the results for the current accounting periods and previous accounting years.

All significant intra-group transactions, balances, income and expenses have been eliminated upon consolidation.

3. Revenue

Revenue represents the fair value of the consideration received and receivable for goods sold by the Group to external customers, less sales tax and sales returns during the period.

4. Segment Information

The Group is principally engaged in the research and development, production and sale of single-use aseptic polymer medical products and operates in the PRC. All significant identifiable assets of the Group are located in the PRC. Accordingly, no segmental analysis is presented.

5. Finance costs

Finance costs for the three months ended 31 March 2006 were approximately RMB5,155,000, which mainly included interest expenses for bank and other borrowings.

6. Profit before taxation

Profit before taxation has been arrived at after charging (crediting):

	Unaudited For the three months ended 31 March	
	2006	2005
	RMB'000	*RMB'000*
Allowances for bad and doubtful debts	1,986	573
Auditors' remuneration	—	—
Depreciation	7,528	4,845
Prepaid lease payments charged to consolidated income statement	349	302
Rental payments in respect of premises under operating leases	633	532
Research and development expenditures	2,345	1,991
Staff costs, including directors' remuneration		
- Retirement benefits scheme contributions	4,187	2,737
- Salaries and other allowances	17,134	10,949
Total staff costs	21,321	13,686
Net foreign exchange loss	10	27
Gain on disposals of property, plant and equipment	(20)	(31)
Interest income	(108)	(117)
Rebate of value added tax *(note)*	(3,944)	(1,881)

Note: With effect from 1 May 1999, the tax bureau in Weihai refunded the value added tax paid by Weihai Jierui Medical Products Company Limited 威海潔瑞醫用製品有限公司 ("Jierui Subsidiary") on the basis of "payment first then rebate".

7. Taxation

Income tax is calculated based on the taxable amount, which is obtained by making corresponding adjustments to the accounting income for the current period based on the relevant requirements under the PRC Tax Law.

The Company is recognised as a "High and New Technology Enterprise". In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", the Company was subject to income tax at a tax rate of 15%. Since 1 July 2004, the Company is entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. The tax charges provided for the six months ended 31 December 2004, the year ended 31 December 2005 and the three months ended 31 March 2006 were made after taking these tax incentives into account.

In accordance with the "Notice of Recognition of Jierui Subsidiary as a Social Welfare Entity" issued by the Civil Administration Bureau of the Shandong Province, Jierui Subsidiary is recognised as a "Social Welfare Entity" and is exempted from the PRC income tax.

Shenyang Weigao Jinbao Trading Co., Ltd. 瀋陽威高金寶商貿有限公司（「"Weigao Jinbao"」)is subject to PRC income tax at a tax rate of 33%. In accordance with the "Notice regarding the approval of tax reduction and exemption" issued by the State Tax Bureau of Shenyang City Shenhe Branch, Weigao Jinbao is exempted from the PRC income tax for the year ended 31 December 2005.

Weigao Orthopaedic Device Company Limited ("Weigao Orthopaedic ") is a foreign-invested enterprise operating in the PRC and is entitled to an exemption from PRC income tax for the two years starting from its first profit-marking year, followed by 50% tax relief for the next three years.

Taxation for other subsidiaries are calculated at a tax rate of 33%.

For the three months ended 31 March 2006, the Group has estimated unused tax losses of approximately RMB3,077,000 (2005: RMB668,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of the future profit streams.

8. **Profit attributable to equity holders of the Company**

For the three months ended 31 March 2006, the Group's profit attributable to equity holders of the Company was RMB25,786,000 (corresponding period in 2005: RMB16,562,000).

9. **Dividend**

The Directors do not recommend the distribution of a dividend for the three months ended 31 March 2006 (corresponding period in 2005: Nil).

10. **Earnings per share**

The calculation of the basic earnings per share for the three months ended 31 March 2006 was based on the profit attributable to equity holders of the Company of RMB25,786,000 (corresponding period in 2005: RMB16,562,000) and on the weighted average of the total number of shares of 965,560,000 shares (corresponding period in 2005: 864,500,000 shares).

MOVEMENT IN RESERVES

	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 (Note b)	Statutory public welfare fund RMB'000 (Note c)	Retained earnings RMB'000	Total RMB'000
THE GROUP					
As at 1 January 2005	126,848	19,560	9,780	125,959	282,147
Net profit for the year	—	—	—	101,200	101,200
Dividend paid	—	—	—	(20,366)	(20,366)
Issue of					
— domestic shares	42,184	—	—	—	42,184
— H shares	69,053	—	—	—	69,053
Share issue expenses	(4,333)				(4,333)
Appropriation *(Note a)*	—	14,733	7,367	(22,100)	—
As at 31 December 2005	233,752	34,293	17,147	184,693	469,885
As at 1 January 2006	233,752	34,293	17,147	184,693	469,885
Profit for the year	—	—	—	25,786	25,786
Appropriation *(Note a)*	—	—	—	—	—
As at 31 March 2006	233,752	34,293	17,147	210,479	495,671
Representing:					
Proposed final dividend for the year ended 31 December 2005					19,311
Reserves					476,360
					495,671

	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 *(Note b)*	Statutory public welfare fund RMB'000 *(Note c)*	Retained earnings RMB'000	Total RMB'000
THE COMPANY					
As at 1 January 2006	126,848	17,308	8,653	67,957	220,766
Net profit for the period	—	—	—	69,509	69,509
Dividend paid	—	—	—	(20,366)	(20,366)
Issue of					
— domestic shares	42,184	—	—	—	42,184
— H shares	69,053	—	—	—	69,053
Share issue expenses	(4,333)	—	—	—	(4,333)
Appropriation *(Note a)*	—	10,599	5,300	(15,899)	—
As at 31 December 2005	233,752	27,907	13,953	101,201	376,813
As at 1 January 2006	233,752	27,907	13,953	101,201	376,813
Net profit for the period	—	—	—	10,103	10,103
Appropriation *(Note a)*	—	—	—	—	—
As at 31 March 2006	233,752	27,907	13,953	111,304	386,916
Representing:					
Proposed final dividend for the year ended 31 December 2005					19,311
Reserves					367,605
					386,916

Notes:

(a) Basis for appropriations to reserves

Appropriations to statutory surplus reserve and statutory public welfare fund have been calculated based on the net profit as set out in the financial statement prepared in accordance with generally accepted accounting principles in the PRC ("PRC GAAP").

(b) Statutory surplus reserve

As required under the Articles of Association of the Company, the Company is required to transfer 10% of its profit after taxation under the PRC GAAP to the statutory surplus reserve fund, up to 50% of its registered capital. According to the Articles of Association, under normal circumstances, the statutory surplus reserve fund can only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

(c) Statutory public welfare fund

Under the new PRC Company Law, the Group no longer transfers any profit to the statutory public welfare fund from 1 January 2006. As at 31 December 2005, the amount which has been transferred to statutory public welfare fund represents part of the share capital of the shareholders, which cannot be distributed other than for the purpose of liquidation.

According to the relevant laws and regulations of the PRC, distributable profit of the Company was determined at the lower of such amount calculated based on the accounting principles and regulations of the PRC or the generally accepted accounting principles of Hong Kong. As at 31 March 2006, retained earnings distributable to sharesholders of the Company was RMB111,304,000.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE DEVELOPMENT

For the three months ended 31 March 2006, the Group's revenue and net profit were approximately RMB161,812,000 and RMB25,786,000 respectively, representing an increase of 42.1% and 55.7% over RMB113,912,000 and RMB16,562,000 respectively of the corresponding period in 2005.

The consolidated gross profit margin in the first quarter of 2006 was 41.2%, increased by 3.0% over the corresponding period in 2005. This was mainly attributable to the strategy of "three enhancements and one expansion" and the adjustments for sales strategy as well as the strengthening of market promotion for high value-added products and strict compliance with the comprehensive budget control on production cost and various expenses.

The sales network for drug eluting stent produced by Shangdong JW Medical Products Co. Ltd. ("JW Medical") which is 50% held by the Company has expanded in the first quarter of 2006. In light of the strong domestic demand, the sales of JW Medical has become a new source that will drive the growth of the profitability of the Group.

Weigao Orthopaedic, 53% of the registered capital of which was contributed by the Group, is further expanding the market and has recorded satisfactory sales which has contributed to the increase of the Group's profit.

The registration of product certificates for Weigao's blood segregator, blood drainage set and genetic recombinant protein adsorption product is under process and is expected to be completed in the second quarter of 2006. The registration of Shanxi Weigao Huading Medical Devices Co., a joint venture established with an independent third party, was completed during the reporting period and sales has already commenced.

RESEARCH AND DEVELOPMENT

For the three months ended 31 March 2006, sixteen patent applications were made, and 3 new product registration certificates were obtained, whilst thirteen new products are still pending for registration. For the three months ended 31 March 2006, total expenditures on research and development amounted to RMB2,345,000.

According to the EC-Certificate issued by TUV Product Service GmbH on 25 January 2006, the Group's product "auto-retractable safety syringe" has obtained EC quality certification.

PRODUCTION

In February 2006, the Group's newly invested workshop for syringes commenced operation. Production area was 2,400 sq. m., and a self-designed semi-automated production line was installed. The annual production capacity of the production line is 300 million syringes.

For the three months ended 31 March 2006, output for the Group's products as compared with the corresponding period of 2005 were as follows:

(1) approximately 45,372,000 sets of single-use sterile infusion (transfusion) sets, increased by 5.0%;

(2) approximately 1,772,000 sets of single-use sterile blood transfusion consumables, increased by 6.9%;

(3) approximately 67,934,000 sets of single-use sterile syringes, increased by 1.9%;

(4) approximately 632,000 sets of single-use sterile dental devices and anaesthetic products, increased by 15.9%;

(5) approximately 13,766,000 sets of blood sampling products, increased by 96.3%;

(6) approximately 2,183 tonnes of PVC granules, increased by 1%;

(7) approximately 275,316,000 pieces of needle products, increased by 77.9%;

(8) approximately 293,000 sets of orthopaedic materials;

(9) approximately 16,114,000 sets (pieces) of other products, increased by 76.6%.

Based on the Enterprise Resources Planning System implemented since year 2005, the Group strengthened its production planning management to better control production volume and reduce working capital tied up in the Group's inventories, leading to the growth rate of the Group's production volume for the three months ended 31 March 2006 being temporarily reduced.

Meanwhile, the Group further upgraded its conventional products, devoted its major resources to high value-added products and enhanced its products and adjustment strength. It also reduced the production plans of low-value added and low returns products and increased the contribution of single types products to the Group's profit, thus increased the Group's profitability. These measures resulted in the growth rate of the Group's production volume in the first quarter being much lower than the growth rate in revenue.

SALES NETWORK AND MARKETING

The adjustment in product structure and the implementation of the sales strategy have started to yield benefits. During the quarter, the Group rationalised its sales system, integrated the resources of its market and clients and increased its strength in market development and exploration. It also focused on the sale of non-conventional and high value-added products which have increased the Group's profitability.

During the first quarter, the Group continued to adopt its "three enhancements and one expansion" strategy and increased its consolidation strength for its markets and clients and eliminated weaker and low returns clients. The Group also combined those clients under direct sales category with higher maintaining cost into the sales through distribution channels category, resulting in the average revenue per customer increased by 26.6% as compared with the corresponding period. For the three months ended 31 December 2006, the Group established business relationship with 23 new customers, including 10 hospitals and 2 blood stations. So far, the Group's total number of customers has reached 5,403, including 2,739 hospitals, 402 blood stations, 726 other medical units and 1,536 distributors.

Comparison of the sale of various products by geographical area over the corresponding period in the previous year are set out as follows:

Revenue by geographical segments
As at 31 March

Region	2006		2005		Growth
	RMB'000	*%*	*RMB'000*	*%*	*%*
Northeastern	30,522	18.86	24,874	21.83	22.7
Northern	37,247	23.02	27,015	23.72	37.9
Eastern and Central	54,990	33.98	34,022	29.86	61.6
Southwestern	7,081	4.38	5,001	4.39	41.6
Northwestern	8,320	5.14	3,905	3.43	113.1
Southern	15,002	9.27	11,921	10.47	25.8
Overseas	8,650	5.35	7,174	6.30	20.6
Total	161,812	100.00	113,912	100.00	42.1

In addition, the product mix adjustment was another important factor that enhanced the results of the first quarter of 2006. Under the intensifying market competitions, the Group increased the sale and marketing of high value-added products such as orthopaedic products, heart eluting stents, intravenous catheter needles, CT power injectors and pain killing pumps which achieved significant growth for these high value-added products and enhanced the profit margin of the first quarter to 41.2%, increased by 3 % as compared with 38.2% of the corresponding period in 2005. Comparison of the growth in the sales of the various key products over that of the previous period are set as follows:

	Revenue by category segments As at 31 March		
Product category	**2006**	2005	Growth
	RMB'000	*RMB'000*	%
Self-produced products			
Consumables			
— Infusion/transfusion set	**47,415**	39,629	19.6
— Syringes	**37,149**	32,395	14.7
— Blood bags, segregators and sampling consumables	**19,685**	13,202	49.1
— Dental and anaesthetic consumables	**2,328**	2,232	4.3
— Medical needle and others	**16,483**	8,246	99.9
Subtotal	**123,060**	95,704	28.6
Orthopaedic materials and tools	**18,372**	—	N/A
Blood purification consumables	**1,867**	—	N/A
PVC granules	**10,429**	10,294	1.3
Trading products			
Medical equipment	**7,804**	7,708	1.2
Other products	**280**	206	35.9
Total	**161,812**	113,912	42.1

HUMAN RESOURCES

As at 31 March 2006, the Group employed a total of 5,695 employees. Breakdown by department is as follows:

Departments	Number of employees
Research and development	143
Sales and marketing	643
Production	4,561
Purchasing	29
Quality control	83
Management	54
Finance and administration	182
Total	5,695

Save as the company secretary, who resides in Hong Kong, all employees of the Group resided in the PRC. For the three months ended 31 March 2006, total amount of staff salaries, welfare and various funds amounted to RMB21,321,000.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sound financial position for the three months ended 31 March 2006. As at 31 March 2006, the Group had total cash of RMB119,734,000 on hand.

During the period, the Group adjusted its capital structure for the expansion of operations, equipment investments and technological innovations. During the first quarter, bank loans of RMB63,200,000 were obtained and bank loans of RMB63,200,000 were repaid. As at 31 March 2006, the Group's short-term bank loans amounted to RMB127,900,000 and long-term bank loans was RMB210,000,000.

Interests paid by the Group as a whole for the three months ended 31 March 2006 was RMB5,155,000.

GEARING RATIO

The Group's gearing ratio, being the ratio of total borrowings net of cash and bank balances to total equity attributable to shareholders was 0.37 (the corresponding period in 2005: 0.52). Decrease in gearing ratio was mainly due to the issue of domestic and H shares of the Company and net profit recorded by the Group after 31 March 2005.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2006.

CAPITAL COMMITMENTS

As at 31 March 2006, the Group has commitments for the acquisition of property, plant and equipment which were contracted but not provided in the financial statements amounting to RMB26,420,000 in total. The above amounts will be paid by the Group out of the proceeds from the issue of shares of the Company and the Group's internal resources.

OTHERS

For the three months ended 31 March 2006, there was no material acquisition or disposal or investment of subsidiaries or associates by the Group.

For the three months ended 31 March 2006, there was no exposure to fluctuation in exchange rates and any related hedges.

OUTLOOK

The Group recorded satisfactory performance for the three months ended 31 March 2006. Management measures have been duly implemented, and revenue and net profit increased rapidly. Facing with the ever changing external environment, the Group will proactively adopt various strategies to overcome various unfavorable factors, achieve the target goal and increase the profitability of the Group as follows.

1. accelerate the pace of the Group' operational structure adjustments and consolidate the market position of original operations, look for opportunities for cooperation and expansion, rapidly expand emerging business and change the Group's pattern in business growth as well as strive to realize its strategies and objectives of "three enhancements and one expansion".

2. continue to increase the sale of high value-added products such as intravenous catheter needles, heart eluting stent and orthopaedic products and increased the Group's profitability.

3. devote more efforts to develop new customers, explore the possibility of selling new products to existing customers, enhance market promotion, expand sales team, and establish a stable sales network, so as to enhance the growth in the Group's sales.

4. speed up the product certificate registration process for products such as blood segregator, blood drainage set and genetic recombinant protein absorption product and increase the Group's competitive advantage in high-end consumables market.

5. speed up technological upgrade, promote the implementation of comprehensive budgeting management and MRP II for production and cost management, thereby lowering the impact caused by the increase in material cost.

6. increase the strength in sales channels consolidation and reduce the size of customers under direct sales category and transfer them to sales through distribution channels category for the seasons beyond this year.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND LONG POSITIONS IN SHARES

As at 31 March 2006, the interests of each Director and his associates in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(1) Long positions in domestic shares of RMB0.10 each of the Company:

Name of Directors	Capacity	Number of domestic shares	Approximate percentage of the Company's issued share capital
Mr. Zhang Hua Wei	Beneficial owner	10,800,000	1.12%
Mr. Miao Yan Guo	Beneficial owner	7,800,000	0.81%
Mr. Wang Yi	Beneficial owner	7,800,000	0.81%
Mr. Wang Zhi Fan	Beneficial owner	2,700,000	0.28%
Mr. Wu Chuan Ming	Beneficial owner	2,400,000	0.25%
Mrs. Zhou Shu Hua	Beneficial owner	5,100,000	0.53%

(2) Long positions in the registered capital of the ultimate holding company, Weigao Holding, an associated corporation of the Company:

Name of Directors	Capacity	Amount of registered capital	Approximate percentage of the registered capital of Weigao Holding
Mr. Chen Xue Li	Beneficial owner	36,600,000	30.00%
Mr. Zhang Hua Wei	Beneficial owner	29,280,000	24.00%
Mr. Miao Yan Guo	Beneficial owner	7,320,000	6.00%
Mr. Wang Yi	Beneficial owner	7,320,000	6.00%
Mr. Wang Zhi Fan	Beneficial owner	2,610,800	2.14%
Mr. Wu Chuan Ming	Beneficial owner	2,257,000	1.85%
Mrs. Zhou Shu Hua	Beneficial owner	14,579,000	11.95%

Save as disclosed above, as at the date of this report, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDER

As at 31 March 2006, save for the interests of the Directors as disclosed above, the following shareholder had notified the Company that their interests in the issued share capital of the domestic shares of the Company, which were recorded in the register of interests of the substantial shareholder required to be kept by the Company pursuant to Section 336 of the SFO.

	Capacity	Number of domestic shares	Approximate percentage of the Company's issued share capital
Weigao Holding	Beneficial owner	578,160,000	59.88%

On 20 March 2006, Weigao Holding and the Deputy General Manager of the Company Mr. Jiang Qiang entered an equity transfer agreement, pursuant to which 10,000,000 domestic shares of the Company held by Weigao Holding were transferred to Mr. Jiang Qiang, resulting the equity interest of Weigao Holding in the Company changed from 588,160,000 shares to 578,160,000 shares.

Save as disclosed above, as at the date of this report, the Company did not receive any notice that there were other relevant interest or short position in the issued share capital of the Company.

SPONSORS' INTERESTS

Pursuant to the agreement entered into between the Company and Goldbond Capital (Asia) Limited ("Goldbond") on 24 July 2004, Goldbond has been appointed to act as the Company's sponsor and would be responsible for providing sponsor services to the Company for the financial period until 31 December 2006.

As at 31 March 2006, neither Goldbond nor its directors or employees or associates (as referred to note 3 of the rule 6.35 of the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules")) had any interest in the Company and other companies of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the commencement of dealings in the H shares of the Company on GEM on 27 February 2004, the Company and its subsidiaries did not purchase, sell or redeem any listed shares of the Company, except for the placing of 52,900,000 new H shares of the Company on 30 November 2005.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard of corporate governance. The Board believes that this is the commitement necessary to balance the interests among the shareholders, customers and the employees, as well as maintaining accountability and transparency.

The Board considers that the Company has complied with all the provisions as set out in Appendix 15 of the GEM Listing Rules during the period.

AUDIT COMMITTEE

The Company set up an Audit Committee (the "Committee") on 1 September 2002 with written terms of reference in compliance with rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Company. The Committee comprised Messrs. Luan Jian Ping, Mr. Shi Huan, Mr. Lau Wai Kit, being independent non-executive Directors and Mrs. Zhou Shu Hua, a non-executive Director.

The Company's financial statements for the three months ended 31 March 2006 have been reviewed by the Committee. The Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and other laws, and disclosures have been fully made.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS

So far as the Directors are aware, as at 31 March 2006, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates has an interest in a business which competes or may compete with the business of the Group, or has any other conflicts of interest with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2006, the Company had adopted a code of conduct regarding securities transaction by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

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

Weihai, Shandong, the PRC
12 May 2006

As at the date of this report, the Board comprises Mr. Zhang Hua Wei, Mr. Miao Yan Guo, Mr. Wang Yi, Mr. Wang Zhi Fan and Mr. Wu Chuan Ming as the executive Directors, Mr. Chen Xue Li and Mrs. Zhou Shu Hua as the non-executive directors, and Mr. Shi Huan, Mr. Luan Jian Ping and Mr. Lau Wai Kit as the independent non-executive Directors.