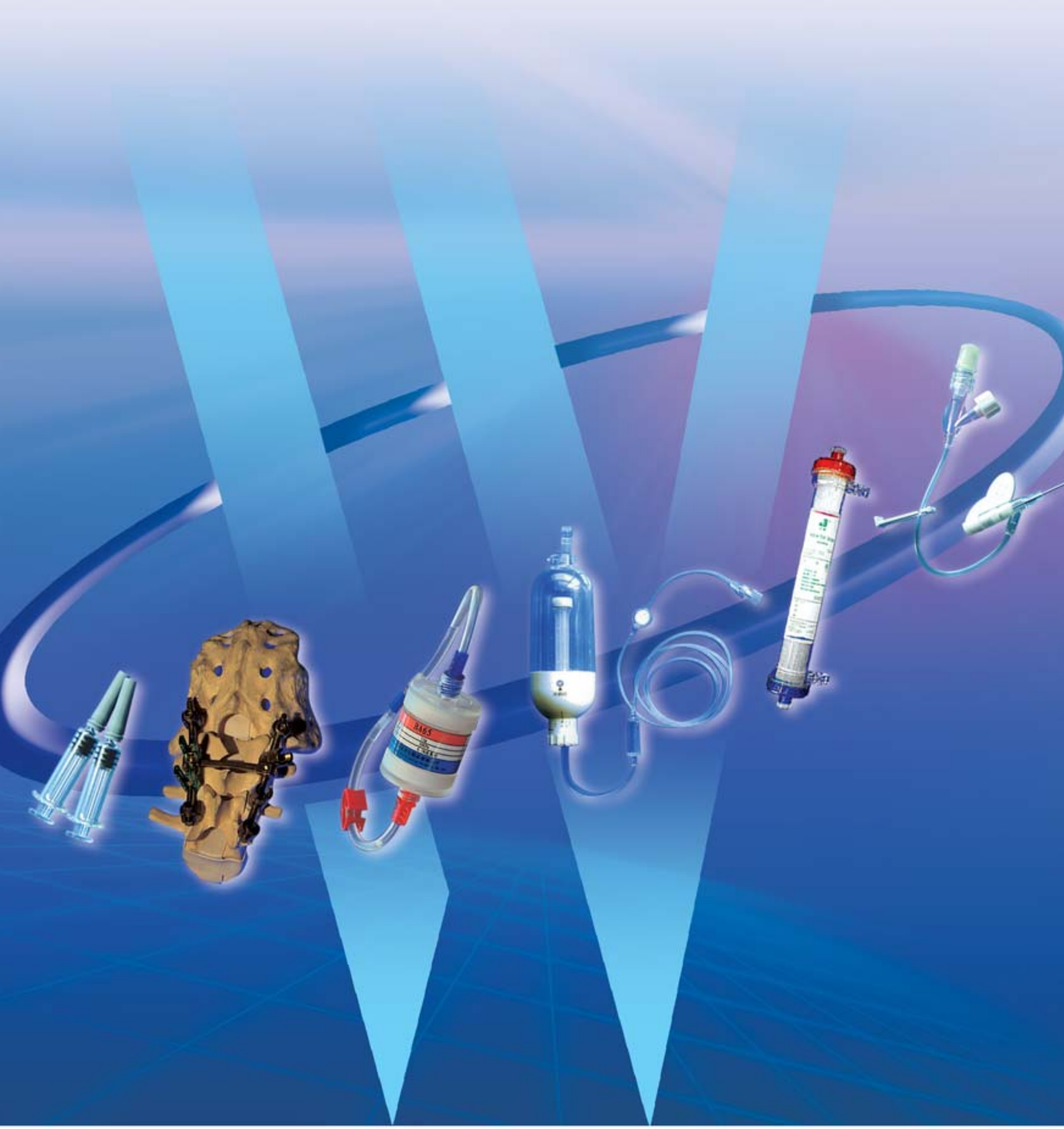
Shandong Weigao Group Medical Polymer Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code : 8199)



Third Quarterly Report 2006

* 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 for the purpose of giving information with regard to the Company and its subsidiaries. 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 nine months ended 30 September 2006, the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company" and together with its subsidiaries, the "Group") was approximately RMB568.11 million, representing an increase of approximately 40.1% over RMB405.45 million in the corresponding period of the previous year.

Unaudited profit attributable to the shareholders for the nine months ended 30 September 2006 has achieved a record high at approximately RMB113.06 million, representing an increase of approximately 69.9% from approximately RMB66.55 million in the corresponding period of the previous year.

The Group's strategy of adjusting its product mix has obtained satisfactory results, and its consolidated gross margin has increased to 42.7%, representing an increase of 2.9% over the corresponding period in the previous year.

Remarkable results have been achieved from the adjustment to the Group's product mix. Shandong JW Medical Systems Limited ("JW Medical"), the jointly controlled entity of the Company, achieved significant growth in earning and increased its contribution to the Group's profit. The product quality of Shandong Weigao Orthopaedic Device Company Limited ("Wego Ortho"), a subsidiary of the Company, was well recognised by the market and generated satisfactory growth in sales. The adjustment of product mix drives the growth in Group's profit during the period.

During the period, outstanding results have been achieved in both marketing and expansion of customers base, and integration of sales channels. During the period, the number of customers increased by 74 (including 34 hospitals and 6 blood stations). As at 30 September 2006, the Group has a customer base of 5,454.

During the period, the "Jierui" brand, the brand for the single-use infusion/ transfusion medical device product series, was accredited as the "China Top Brand" by China Promotion Committee for Top Brand Strategy, which was another significant accreditation awarded subsequent to the first "China Famous Trademark" in the medical treatment device industry in the People's Republic of China (the "PRC").

The board of Directors (the "Board") did not propose to declare a dividend for the three months ended 30 September 2006 (Corresponding period in 2005: Nil).

UNAUDITED CONSOLIDATED RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the three months and nine months ended 30 September 2006, together with the comparative figures for the corresponding period in 2005 as follows:

Condensed Consolidated Income Statement

		Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
		2006	2005	2006	2005
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3	568,110	405,451	215,602	155,765
Cost of sales		(325,548)	(244,111)	(123,497)	(93,325)
Gross profit		242,562	161,340	92,105	62,440
Other income		15,963	10,209	5,330	5,053
Distribution costs		(90,120)	(63,191)	(34,473)	(23,914)
Administrative expenses		(45,704)	(27,242)	(18,502)	(11,485)
Finance costs	5	(15,244)	(12,484)	(5,304)	(4,908)
Share of results in a jointly controlled company		17,901	(838)	13,337	(368)
Share of results in an associate		—	(158)	—	(158)
Profit before taxation	6	125,358	67,636	52,493	26,660
Taxation	7	(4,070)	—	(1,495)	—
Profit for the year		121,288	67,636	50,998	26,660
Profit attributable to:					
Equity holders of the Company	8	113,064	66,549	48,645	26,590
Minority interests		8,224	1,087	2,353	70
		121,288	67,636	50,998	26,660
Dividend	9	19,311	9,127	—	—
Earnings per share (Basic)	10	RMB0.117	RMB0.075	RMB0.050	RMB0.029

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), Accounting Principles Generally Accepted in Hong Kong, Hong Kong Financial Reporting Standards (the "HKFRS") and the relevant disclosure requirements of the GEM Listing Rules. The accounts are prepared under the historical cost convention.

The accounting policies adopted and methods of computation used in the preparation of these unaudited consolidated financial statements are consistent with those used in the audited consolidated 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/or previous accounting years.

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

The consolidated results for the nine months ended 30 September 2006 have not been audited by the Company's auditor but have been reviewed by the Audit Committee of the Company.

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

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 and nine months ended 30 September 2006 were approximately RMB5.30 million and RMB15.24 million respectively (corresponding period in 2005: approximately RMB4.91 million and RMB12.48 million), which mainly included interests expenses for bank and other borrowings.

6. Profit from operations

Profit from operations has have been arrived at after charging (crediting) the following:

	Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Provision for bad debts	3,729	2,791	1,371	1,129
Auditors' remuneration	—	779	—	461
Depreciation and amortisation	29,371	15,938	10,736	5,447
Prepaid lease payments charged to income statement	1,046	981	349	349
Rental payments in respect of premises under operating leases	2,845	2,413	862	727
Research and development expenditure	8,509	7,110	3,238	2,714
Staff costs, including directors' remuneration				
- Retirement benefits scheme contributions	15,215	9,966	5,168	3,440
- Wages and salaries	59,951	44,227	21,815	16,407
Total staff costs	75,166	54,193	26,983	19,847
Gains/losses from foreign exchange	105	166	60	97
Gains/losses on disposal of property, plant and equipment	(79)	(182)	34	(144)
Interest income	(562)	(544)	(239)	(257)
Rebate of value-added tax ("VAT")(Note)	(11,511)	(8,992)	(3,656)	(4,436)

Note: The Tax Bureau in Weihai granted refund on the VAT effectively paid by 威海潔瑞醫用製品有限公司 (Weihai Jierui Medical Products Company Limited) ("Jierui Subsidiary") on the basis of "payment first then rebate", with effect from 1 May 1999.

7. Taxation

No provision for Hong Kong and overseas profit tax has been made as the Group has not carried out any operations in Hong Kong or other places overseas.

PRC Income tax is calculated based on the taxable amount, which is obtained by making corresponding adjustments to the accounting income for the current year 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 its 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 nine months ended 30 September 2006 were made after taking these tax incentives into account.

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

For the nine months ended 30 September 2006, 瀋陽威高金寶商貿有限公司(Shenyang Weigao Jinbao Trading Co., Ltd.) ("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.

Wego Ortho 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 making year, followed by a 50% tax relief for the next three years. Wego Ortho is exempted from PRC income tax for the nine months ended 30 September 2006.

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

8. Profit attributable to equity holders of the Company

For the three months and nine months ended 30 September 2006, the profits attributable to equity holders of the Company were approximately RMB48.65 million and RMB113.06 million (Corresponding period in 2005: RMB26.59 million and RMB66.55 million) respectively.

9. Dividend

There were no dividend for the three months ended 30 September 2006 and the corresponding period in the previous year.

10. Earnings per share

For the three months and nine months ended 30 September 2006, basic earnings per share were calculated based on profits attributable to equity holders of the Company of approximately RMB48.65 million and RMB113.06 million (Corresponding period in 2005: approximately RMB26.59 million and RMB66.55 million) respectively, and on the weighted average total number of 965,560,000 shares and 965,560,000 shares (Corresponding period in 2005: 912,660,000 shares and 887,688,148 shares) respectively.

No diluted earnings per share is presented for the three months and nine months ended 30 September 2006, as no potential ordinary shares were outstanding during the period.

MOVEMENTS 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 period	—	—	—	101,200	101,200
Dividend paid	—	—	—	(20,366)	(20,366)
Premium from issue of shares	111,237	—	—	—	111,237
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
Net profit for the period	—	—	—	113,064	113,064
Dividend paid	—	—	—	(19,311)	(19,311)
Premium from issue of shares	—	—	—	—	—
Share issue expenses	—	—	—	—	—
Appropriation *(Note a)*	—	—	—	—	—
As at 30 September 2006	233,752	34,293	17,147	278,446	563,638
Representing:					
Proposed dividend for the nine months ended 30 September 2006					19,311
Reserves					544,327

	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 2005	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)
Premium on issue of shares	111,237	—	—	—	111,237
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	—	—	—	44,730	44,730
Dividend paid	—	—	—	(19,311)	(19,311)
Premium on issue of shares	—	—	—	—	—
Share issue expenses	—	—	—	—	—
Appropriation *(Note a)*	—	—	—	—	—
As at 30 September 2006	233,752	27,907	13,953	126,620	402,232
Representing:					
Proposed dividend for the nine months ended 30 September 2006					19,311
Reserves					382,921

Notes:

(a) Bases for appropriation to reserves

Appropriation to statutory surplus reserve and statutory public welfare fund have been calculated based on the net profits in the financial statement prepared under the generally accepted accounting principles of the PRC ("PRC GAAP").

(b) Statutory surplus reserve

The Articles of Association of the Companies under the Group requires that 10% of the profit after taxation should be transferred to the statutory surplus reserve in accordance with the PRC GAAP, until it has reached 50% of the registered capital. Pursuant to the Articles of Association of the Companies under the Group, under normal circumstances, statutory surplus reserves can only be used to make up for losses, convert into share capital by way of capitalisation, and for the expansion of the Company's production and operation scope. In the event of conversion of the statutory surplus reserve into share capital by way of capitalisation, it should not result in the balance of the reserve to be less than 25% of the registered capital.

(c) Statutory public welfare fund

According to the Company Law and regulations of the PRC and the amended Articles of Association of the Company, from 1 January 2006, the companies under the Group ceased to transfer from statutory public welfare fund. As at 31 December 2005, the statutory public welfare fund is part of the share capital of the shareholders, which cannot be distributed other than for the purpose of liquidation.

According to the 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 30 September 2006, retained earnings distributable to shareholders was approximately RMB126.62 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Development

For the nine months ended 30 September 2006, the unaudited turnover and the profit attributable to shareholders of the Group were approximately RMB568.11 million and RMB113.06 million respectively, representing an increase of 40.1% and 69.9% over approximately RMB405.45 million and RMB66.55 million in the corresponding period of 2005 respectively.

The consolidated gross margin increased by 2.9% to 42.7% over the corresponding period of last year.

The Group is dedicated to become a leading medical device manufacturer in Asia. During the period, the rapid growth in the Group's results and the enhancement in its profitability were mainly attributable to the Group's strategic adjustments to its product mix, enhancement in its operation efficiency and increasing resources in the production and marketing of high value-added products, including intravenous catheter needles, orthopedic products and, drug eluting stents.

During the period under review, the Group achieved a satisfactory revenue growth with the adjustments of product mix. The Group continued to increase its resources on research and development of high value-added products and allocated increasing resources in sales and marketing of high value-added products such as intravenous catheter needles, high-end infusion sets, CT developer sterile syringes and safety auto-disable syringes. These strategic adjustments resulted an increase of sale proportion generated from high valued-added products of the Group.

The Group continued to operate under the Enterprises Resource Planning system to improve sales and financial management. The Group also implemented its stringent cost control to achieve production efficiency. With the improvement of supply chain system and settlement methods, the Group was successful to enhance its competitiveness in bargaining for better prices with suppliers and to improve its quality of financial management.

During the period, the Group achieved satisfactory results from its increase in capital expenditure on the expansion of production facilities for orthopedics products, blood purification products and drug eluting stents.

During the period, Wego Ortho, a subsidiary of the Company, has achieved encouraging results with a turnover of RMB47.36 million for the nine months ended 30 September 2006, which continued to drive up the Group's overall revenue and net profits.

山西威高華鼎醫療器械有限公司 (Shanxi Weigao Huading Medical Device Company Limited) ("Weigao Huading"), a company established by 威海威高血液淨化製品有限公司 (Weihai Weigao Blood Purification Product Company Limited) ("Weigao Blood Purification") and an independent third party, has obtained registration and has commenced sale of its products. Weigao Blood Purification is in the process of obtaining production registration for its plasma segregator, lavage set and recombinant protein adsorption column. The progress in developing sales and distribution network is well underway, and the trial operation of production facilities was also completed.

Sale of drug eluting stents by JW Medical, which is 50% held by the Company, recorded significant growth during the period. It has rapidly expanded the sales network in the PRC. Currently, it is actively expanding its market and JW Medical has become a major source of profit to the Group.

On 1 November 2006, a binding letter of intent was entered into among the Company, Weigao Holding, JW Medical and Biosensors International Group, Limited ("Biosensors"), a Singapore listed company regarding equity investment in, licensing of Biolimus A9 drug, proprietary biodegradable polymer and polymer free technology for drug eluting stents to JW Medical and option to acquire interests in JW Medical by Biosensors and sale and purchase of equity interests in Shandong Weigao Biosensors Medical Products Manufacturing Co., Ltd which was incorporated in the PRC in September 2003 and is held as to 50% by Weigao Holding and Biosensors International Pte Ltd, a wholly owned subsidiary of Biosensors.

During the period, the Group has been exploring collaboration opportunities with world leading medical device companies, so as to fully capitalise on the Group's competitive advantages of its research and development capabilities of high value-added products, production and distribution network.

Research and Development

For the nine months ended 30 September 2006, 22 new patents were registered by the Group and certificates of 18 new products were obtained and the application for registration for 15 new products are in progress. The total research and development expenses amounted to approximately RMB8.51 million for the nine months ended 30 September 2006.

During the period, new materials and products successfully developed by the Group, such as medical light-proof plastic, production and application of thermal plastic elastic polyolefin (TPE), single-use fibre blood plasma segregator, single-use clipping self-destructive syringe and single-use test-tube sampling blood bag, have been awarded for the technology advancement by the government of the provincial and ministerial levels.

Production

The Group's newly invested syringe production workshop with a self-designed semi-automated production line covering an area of approximately 2,400 square meter commenced operation in February 2006. The annual production capacity of the new production facilities is approximately 300 million units of single-use sterile syringes.

For the nine months ended 30 September 2006, production volume of the Group's products as compared with the corresponding period in 2005 were as follows:

(1) approximately 163,745,000 sets of single-use sterile infusion (transfusion) sets, increased by 6.6%;

(2) approximately 259,575,000 sets of single-use sterile syringes, increased by 17.8%;

(3) approximately 8,965,000 sets of single-use sterile blood transfusion consumables (including blood bag products), increased by 11.7%;

(4) approximately 1,426,000 sets of single-use sterile dental and anesthetic products, increased by 16.6%;

(5) approximately 55,644,000 sets of blood sampling products, increased by 114.1%;

(6) approximately 879,670,000 sets of medical needle products, increased by 110.8%;

(7) approximately 6,993 tones of PVC granules, increased by 1.2%;

(8) approximately 930,000 pieces of orthopedic materials; and

(9) approximately 59,808,000 sets of other products, increased by 80.9%.

With the Enterprise Resource Planning system implemented since 2005, the Group has strengthened its management on production planning. It has been more effective in controlling production output and reducing working capital tied up in consumable materials.

At the same time, the Group increased the proportion of high value-added products in its production, and decreased its production plans in low value-added and low return products. This has raised profit contribution from individual items and ultimately increased the Group's overall profitability.

The above strategies have resulted in the higher rate of increase of the quantity and profit contribution from high value-added products of the Group for the nine months ended 30 September 2006, while the growth rate of conventional consumables, such as sterile infusion (transfusion) sets, blood transfusion consumables, syringes has been lowered during the same period.

Brand building

In September 2006, the "Jierui" brand, the brand for the single-use infusion/transfusion medical device product series, was accredited as the "China Top Brand" by China Promotion Committee for Top Brand Strategy, which was another significant accreditation awarded in addition to the first "China Famous Trademark" in the medical treatment device industry in the PRC obtained by the "Jierui" Trademark.

During the period, the Group strengthened its resources on promoting the brands by different advertising channels, including internet advertising, print and TV commercials.

Sales Network and Marketing

Benefit from integration of the Group's sales channel and adjustment in product mix, the revenue of the Group has been enhanced.

During the period, the Group strengthened its sales and marketing effort, integrated sales channels and maximised return particularly on high return client in order to increase the contribution rates of individual customers. This resulted an increase of the average revenue per customer by 32.3% as compared with the corresponding period of the previous year.

For the nine months ended 30 September 2006, the Group has increased the number of customers by 74 (including 34 hospitals and 6 blood stations). As at the latest practicable date, the Group has a customer base of 5,454 (including 2,763 hospitals, 406 blood stations, 736 other medical units and 1,549 trading companies).

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

Revenue by geographical segments

	For the nine months ended 30 September				
Region	2006		2005		Growth
	RMB'000	%	*RMB'000*	%	%
Northeast	98,991	17.4	75,886	18.7	30.4
Northern	132,739	23.4	113,194	27.9	17.3
Eastern and Central	195,705	34.4	113,207	27.9	72.9
Southwest	30,189	5.3	18,057	4.5	67.2
Northwest	23,902	4.2	14,095	3.5	69.6
Southern	58,321	10.3	46,545	11.5	25.3
Overseas	28,263	5.0	24,467	6.0	15.5
Total	568,110	100.0	405,451	100.0	40.1

During the period, the Group increased its sale and marketing effort on high value-added products such as orthopedic products, drug eluting stents, intravenous catheter needles, CT developer sterile syringes and pain killing pumps, which resulted an increase in proportion of sales generated from high value-added products. The consolidated gross margin during the period has been increased by 2.9% to 42.7% as compared with the corresponding period of the previous year. Comparison of the growth in the sales of the principal products with that of the previous period are set out as follows:

Revenue by products

Product category	For the nine months ended 30 September 2006 *RMB'000*	2005 *RMB'000*	Growth %
Self-produced products			
Consumables			
–Infusion/transfusion set	161,207	136,297	18.3
–Syringes	131,311	113,672	15.5
–Blood bags	61,505	48,631	26.5
–Dental and anesthetic consumables	8,401	7,567	11.0
–Blood sampling products	14,265	7,826	82.3
–Medical needle and others	73,589	30,627	140.3
Subtotal for consumables	450,278	344,620	30.7
Orthopedic products	47,357	—	N/A
Blood purification consumables	6,517	1,861	250.2
PVC granules	39,702	37,159	6.8
Trading products			
Medical equipment	22,682	20,923	8.4
Other products	1,574	888	77.3
Total	568,110	405,451	40.1

HUMAN RESOURCES

As at 30 September 2006, the Group employed a total of 5,550 employees. Breakdown by departments is as follows:

Departments	Number of employees
Research and development	144
Sales and marketing	651
Production	4,406
Purchasing	29
Quality control	84
Management	55
Finance and administration	181
Total	5,550

Save as the qualified accountant and the company secretary, who reside in Hong Kong, all employees of the Group resided in the PRC. During the review period, total amount of staff salaries, welfare and various funds amounted to RMB75.17 million.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group has maintained a sound financial position for the nine months ended 30 September 2006. As at 30 September 2006, the Group had a cash balance of approximately RMB95.40 million. At the same time, with government efforts in stamping out irregularity practices the medical market in the PRC, we expect that they may be delay in settlement of accounts receivable in the next few months, and to deal with such possible circumstances, the Company has made necessary financial and operation arrangements.

During the period, the Group obtained additional bank borrowing of RMB273.70 million and repaid bank borrowing of RMB283.40 million. As at 30 September 2006, the total amount of short-term loans was approximately RMB108.20 million and the total amount of long-term loans was approximately RMB220 million.

Overall interest expense by the Group during the period was approximately RMB15.24 million.

Gearing Ratio

As at 30 September 2006, the Group's gearing ratio was 0.35 (2005: 0.52), calculated on the basis of the Group's net borrowings (after deducting cash and bank balance) over shareholders' funds. Decrease in gearing ratio was mainly due to the H shares issued by the Company in November 2005 and the net profits recorded by the Group during the period.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 September 2006.

Capital Commitments

As at 30 September 2006, the capital commitments of the Group not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB10.53 million. The amounts will be paid by the Group out of the proceeds from the issue of shares and the internal resources of the Group.

Material Investments

On 4 August 2006, the Company acquired 39% interest in Weigao Jinbao (a subsidiary of the Company) at a consideration of RMB3.10 million. Upon completion of the transaction, the equity interest in Weigao Jinbao held by the Company will increase from 51% to 90%.

In order to improve our cost and production efficiency, the Group intend to acquire the production plant and facilities of raw tubes for needle which will support the needs for syringes and needle products. As at the latest practicable date, the Group is still in the process of negotiation and the expected capital expenditure will not exceed approximately RMB18.5 million.

Save for the above material investments and investment plans, there are no material capital commitments or any plans of significant investments or capital assets in the near future as at 30 September 2006, and there are no material acquisition and disposal in any other subsidiary and associate during the period.

Foreign Exchange Risks

The Group's purchases and sales are mainly conducted in the PRC. Its assets, liabilities and transactions are mainly denominated in RMB. During the period, the Group has not encountered any material difficulty due to currency fluctuation nor shortage of operating funds. For the nine months ended 30 September 2006, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

OUTLOOK

On an outlook to the future, the Directors expect that market demands for single-use medical devices in the PRC will maintain its rapid growth. At the same time, with government efforts in stamping out irregularity practices in the PRC medical market, it may result in delay in settlement of accounts receivable. However, in the long term, it will be beneficial for the development of the medical device market, and will allow the Group to fully leverage on its advantage with the direct sales network.

Facing with the intensifying market competition and pressure of rising operation costs, the Group will focus its operation strategies on the following:

1. Speeding up product mix adjustment, maintaining and strengthening its position in medical device market, speeding up development of new business/product, through various channels exploring collaboration opportunities with world leading medical device companies.

2. Increasing in resource allocation on changing the product mix, focusing on the developing the market of high value-added products, including intravenous catheter needles, drug eluting stents, orthopedic products, CT developer sterile syringe, and increasing the contribution of each product type to the Group's profit.

3. Strengthening on market strategies to continue adjusting the sales channel, gradually shifting direct sales to customers of single products with low return and high maintenance cost over to be covered by distributors, and promoting direct sales of drug eluting stents and orthopedic products to high-end customers.

4. Strengthening on management of market resources, developing new customers and strengthening the relationship with existing customers, increasing marketing activities, expanding sales team and developing a strong sales network.

5. Improving management process and strengthening budget management control and the Manufacturing Resources Planning II to better manage cost control and production.

DISCLOSURE OF INTERESTS

Directors' Interests and Long Positions in Shares

As at 30 September 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, which are required to be entered in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance, or which are required, 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 director	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 director	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%
Mrs. Zhou Shu Hua	Beneficial owner	14,579,000	11.95%
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%

Save as disclosed above, as at the date of this announcement, 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 30 September 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.

Name of shareholder	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 into 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 announcement, the Company has not been notified of any relevant interests or short positions 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 ongoing sponsor and would be responsible for providing sponsor services to the Company for the financial period until 31 December 2006.

As at 30 September 2006, neither Goldbond nor its directors or employees or associates (as referred to in note 3 of Rule 6.35 of the GEM Listing Rules) had any interest in the Company and any 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 commitment 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 the Code on Corporate Governance Practices in Appendix 15 of the GEM Listing Rules during the period.

Audit Committee

The Company has set up an Audit Committee (the "Committee") on 1 September 2002 with written terms of reference in compliance with Rules 5.28 and 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 comprises Messrs. Luan Jian Ping, Mr. Shi Huan, Mr. Lau Wai Kit ("Mr. Lau"), being independent non-executive Director and Mrs. Zhou Shu Hua, a non-executive Director. Mr. Lau is the chairman of the Committee.

The Company's financial statements for the nine months ended 30 September 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 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 30 September 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 conflict of interest with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2006, the Company had adopted the code of conduct regarding securities transactions 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
13 Novermber 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.