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)






07 First Quarterly Report

*For identification purposes only

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SUMMARY

For the three months ended 31 March 2007, the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company" and together with its subsidiaries, the "Group") was approximately RMB214,607,000, representing an increase of approximately 32.6% over approximately RMB161,812,000 in the corresponding period of the previous year.

The unaudited net profit attributable to the shareholders for the three months ended 31 March 2007 has increased by 70.5% to approximately RMB43,970,000 from approximately RMB25,786,000 in the corresponding period of the previous year.

Remarkable results have been achieved from the adjustment to the Group's business and product mix. Shandong JW Medical Systems Limited ("JW Medical"), the jointly controlled entity of the Company, achieved significant growth in earnings and increased its contribution to the Group's profit. The research and development of Shandong Weigao Orthopedic Device Company Limited ("Wego Ortho"), a subsidiary of the Company, was well recognised and it has successfully generated steady market expansion. The market share of needle products expanded rapidly during the review period and made larger contribution to the Group's profit.

During the period, outstanding results have been achieved in integration of sales channels. The Group has secured new customers of 8 hospitals and 2 blood stations. As at 31 March 2007, the Group has a customer base of 5,484.

The board of Directors (the "Board") did not propose to declare a dividend for the three months ended 31 March 2007.

CONSOLIDATED RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2007, together with the comparative figures for the corresponding period in 2006 as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited For the three months ended 31 March	
		2007	2006
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**214,607**	161,812
Cost of sales		**(125,726)**	(95,066)
Gross profit		**88,881**	66,746
Other operating income		**6,193**	4,309
Distribution costs		**(34,404)**	(27,030)
Administration expenses		**(16,446)**	(11,849)
Financial costs	5	**(5,525)**	(5,155)
Share of profit of a jointly controlled entity		**8,675**	2,086
Profit before tax	6	**47,374**	29,107
Taxation	7	**(1,015)**	(866)
Profit for the period		**46,359**	28,241
Profit attributable to:			
Equity holders of the Company	8	**43,970**	25,786
Minority interests		**2,389**	2,455
		46,359	28,241
Dividends	9	**—**	—
Earnings per Share (Basic)	10	**RMB0.046**	RMB0.027

Notes:

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

These unaudited condensed consolidated financial information 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 information are consistent with those used in the preparation of the financial statements for the year ended 31 December 2006.

In the current period, the Group has applied, for the first time, a number of new standards and amendments on the HKFRS and HKAS ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are either effective for accounting periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006 or 1 January 2007. The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

The consolidated results for the three months ended 31 March 2007 have not been audited by the Company's auditor but have been reviewed by the Audit Committee of the Company.

These financial reports should be read in conjunction with the audited annual financial statements for the year ended 31 December 2006.

2. **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.

3. **Segment information**

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

4. **Finance costs**

Finance costs for the three months ended 31 March 2007 were approximately RMB5,525,000 (corresponding period in 2006: approximately RMB5,155,000), which mainly included interests expenses for bank and other borrowings.

5. **Profit before taxation**

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

	2007	2006
	RMB'000	*RMB'000*
Allowances for bad and doubtful debts	**2,145**	1,986
Depreciation	**11,863**	7,528
Prepaid lease payments charged to the income statements	**349**	349
Rental payments in respect of premises under operating leases	**640**	633
Research and development expenditure	**3,637**	2,345
Cost of Inventories recognized as expenses	**125,726**	95,066
Staff costs, including directors' remuneration		
– Retirement benefits scheme contributions	**4,315**	4,187
– Salaries and other allowances	**22,103**	17,134
Total staff costs	**26,418**	21,321
Exchange gains and losses, net	**54**	10
Loss on disposal of property, plant and equipment	**(5)**	(20)
Interest income	**(99)**	(108)
Rebate of value added tax	**(5,120)**	(3,944)

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.

6. **Taxation**

No provision for Hong Kong tax has been made for Weigao International Medical Company Limited as it did not have assessable profit during the review period.

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

The Company has been 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 period from 1 July 2004 to 31 March 2007 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 Shandong Province, Weihai Jierui Medical Products Company Limited ("Jierui Subsidiary") is recognised as a "Social Welfare Entity" and is exempted from the PRC income tax.

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. The tax charges provided for the three months ended 31 March 2007 were made after taking these tax incentives into account.

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

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

For the three months ended 31 March 2007, net profits attributable to equity holders of the Group were approximately RMB43,970,000 (Corresponding period in 2006: approximately RMB25,786,000).

8. **Dividend**

The Directors did not recommend the distribution of a dividend for the three months ended 31 March 2007 (corresponding period in 2006 Nil).

9. **Earnings per share**

For the three months ended 31 March 2007, basic earnings per share were calculated based on profits attributable to equity holders of the Company of approximately RMB43,970,000 (Corresponding period in 2006: approximately RMB25,786,000), and on the total number of 965,560,000 shares (Corresponding period in 2006: 965,560,000 shares).

No diluted earnings per share is presented for the three months ended 31 March 2007, as no potential dilutive ordinary shares were outstanding during the period.

MOVEMENTS IN RESERVES

	Share premium reserve	Statutory surplus reserve	Statutory public welfare fund	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note b)	*(Note c)*		
THE GROUP					
As at 1 January 2005	126,848	19,560	9,780	125,959	282,147
Issue of domestic shares	42,184	—	—	—	42,184
Issue of H shares	69,053	—	—	—	69,053
Share issue expenses	(4,333)	—	—	—	(4,333)
Profit and total revenue recognized for the year	—	—	—	101,200	101,200
Dividend paid	—	—	—	(20,366)	(20,366)
Appropriation	—	14,733	7,367	(22,100)	—
As at 31 December 2005	233,752	34,293	17,147	184,693	469,885
Profit and total revenue recognized for the period	—	—	—	170,921	170,921
Dividends paid	—	—	—	(38,622)	(38,622)
Appropriation	—	36,033	(17,147)	(18,886)	—
As at 31 December 2006	233,752	70,326	—	298,106	602,184
Profit and total revenue recognized for the year	—	—	—	43,970	43,970
Dividend paid	—	—	—	—	—
Appropriation	—	—	—	—	—
As at 31 March 2007	233,752	70,326	—	342,076	646,154

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. 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. The statutory public welfare fund as at 31 December 2006 was part of the share capital of the shareholders, which cannot be distributed other than for the purpose of liquidation. The Directors proposed to transfer approximately RMB17,147,000 from the statutory public welfare fund to statutory surplus reserve fund.

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 31 March 2007, retained earnings distributable to shareholders was approximately RMB177,227,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

International collaboration

The Group is dedicated to becoming a leading medical device manufacturer in Asia.

During the period, the Group achieved significant progress in discussion regarding collaboration with international players and financial institutions.

(1) On 2 March 2007, the Company entered into an eight years long term loan agreement for US$20 million with International Finance Corporation ("IFC"), a member of World Bank Group. This cooperation can strengthen the Company's financing capability.

(2) On 11 March 2007, the Company signed a non binding letter of intent with Medtronic, Inc ("Medtronic") in relation to the proposed investment in the Company by Medtronic of up to a 15% of the enlarged issued share capital of the Company in the form of a combination of existing domestic shares and new H shares to be issued. In connection with the proposed investments, the parties intend to explore various business cooperation opportunities in manufacturing and distribution. Medtronic is the global leader in medical technology. Based on the framework set out in the letter of intent, both parties will pursue in-depth discussions and strive to reach a final collaboration.

These international collaborations will further expand the Group's business, strengthen research and development capabilities, leveraging our customer resources in the PRC market and manufacturing capabilities, laying a strong foundation and paving the way for the Group to be the leader in medical device industry in Asia.

Strategic Adjustments to Business and Product Mix

During the period, the Group continued to focus on optimising adjustments to business and product mix and increase in capital expenditure. The Group focused on the business development of orthopedic products, blood purification products and drug eluting stents. The Group increased the sales and marketing effort on the products of intravenous catheter, high-end infusion sets and auto disable syringes and phased out the production of low value-added products. The result was remarkable.

During the period, Wego Ortho, a subsidiary of the Company, achieved strong market expansion. For the three months ended 31 March 2007, Wego Ortho recorded a turnover of approximately RMB23,571,000, representing an increase of 28.3% over the corresponding period of last year. In addition to strengthening the product pipeline in spinal implant and trauma products series, Wego Ortho also increased research and development effort on artificial joints products and obtained breakthrough in development. It is expected that product registration certificate for joint products will be obtained and sales begin during the year. Wego Ortho is in the process of procuring production facilities for joints products. Due to capacity constraint, expansion of orthopedic market penetration was affected. In December 2006, the Group invested in the construction of Wego Ortho industrial park and the construction is in progress. It is expected that full scale production will begin in the third quarter of 2007.

威海威高血液淨化製品有限公司 (Weihai Weigao Blood Purification Product Company Limited) ("Weigao Blood Purification") is in the process of obtaining production registration for 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.

Production and sales of drug eluting stents by JW Medical, which is 50% held by the Company, recorded significant growth during the period. Development of international sales is progressing well. During the period, the attributable net profit of JW Medical to the Group was approximately RMB8,675,000, representing an increase of approximately 315.9% over the corresponding period in last year. At the end of last year, JW Medical invested in stent production plant and facilities and the construction is in progress. It is expected that commercial production will be begin during the year. JW Medical continued to capitalize its strong research and development capabilities to achieve the leading competitiveness of drug eluting stent technology, paving a solid foundation for the development of the business in future.

The Group's needle products, such as intravenous catheters, have strong growth potentials. During the period, the raw needle tube production line invested by the Group was operated smoothly, extending the needle product chain, and raising the profitability of intravenous catheters. At the same time, the Group increased its efforts in the marketing and sales of needle products, driving record sales of approximately RMB20,028,000, representing a growth of 139.3% compared with the corresponding period of last year.

Research and Development

For the three months ended 31 March 2007, the Group obtained 2 new patents and is applying for 29 new patents. Product registration certificates for 7 new products were obtained and application for registration for 16 newly developed products are underway. By placing strong emphasis on research and development, it enhances the Group's competitiveness and allows the Group to leverage on its customer base and to provide the Group with new growth drivers.

For the three months ended 31 March 2007, the total research and development expenses amounted to approximately RMB3,637,000, representing 1.7% of the total turnover of the Group.

During the period, the Group commenced development of 3 products types of titanium mesh (鈦網), spinal fixing system (脊柱內固定系統) and metal locking bone plate (金屬鎖定接骨板系統) and successfully certified by Science and Technology Bureau of Shandong Province that the technical knowhow meets international advanced standard.

Production

For the three months ended 31 March 2007, production volume of the Group's products as compared with the corresponding period in 2006 were as follows:

(1) approximately 49,142,000 sets of single-use sterile infusion (transfusion) sets, increased by 8.3%;

(2) approximately 96,038,000 sets of single-use sterile syringes, increased by 41.4%;

(3) approximately 1,930,000 sets of single-use sterile blood transfusion consumables (including blood bag products), increased by 8.9%;

(4) approximately 644,000 sets of single-use sterile dental and anesthetic products, increased by 1.9%;

(5) approximately 16,383,000 sets of blood sampling products, increased by 19.0%;

(6) approximately 353,365,000 sets of medical needle products, increased by 28.3%;

(7) approximately 2,665 tones of PVC granules, increased by 22.1%;

(8) approximately 307,000 pieces of orthopedic materials, increased by 4.8%;

(9) approximately 26,948,000 sets of other products, increased by 67.2%.

With the Enterprise Resource Planning system implemented, 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 products.

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

Market and Sales

The trademark of "Jierui" was accredited as "China Top Brand" by China Promotion Committee for Top Brand Strategy under General Administration of Quality Supervision, Inspection and Quarantine of the PRC.

During the period, the Group increased the resources in promoting the brand through different advertising channels, including internet advertising, print and TV commercials, thereby promoting the Group's sale and marketing.

The results from the integration of the Group's sales channel and adjustment in product mix has been remarkable.

During the period, the Group strengthened its sales management system, integrated customers resources, phasing out low profitability customers and shifting some high maintenance cost direct sale customers to be covered by distributors. It resulted in increase of contribution by customers and raising the average revenue per customer by 30.7% as compared with the corresponding period of the previous year.

For the three months ended 31 March 2007, the Group has secured 8 hospitals and 2 blood stations as new customers, and transferred a number of small community medical units to be covered by distributors, thereby reducing other medical units by 15. So far, the Group has a customer base of 5,484 (including 2,775 hospitals, 410 blood stations, 727 other medical units and 1,572 trading companies).

Comparison of the sales by geographical areas over the corresponding period in the previous year is set out as follows:

Revenue by geographical segments

	For the three months ended 31 March				
Region	**2007**		2006		Growth
	RMB'000	***%***	*RMB'000*	*%*	*%*
Northeast	**34,062**	**15.9**	30,522	18.9	11.6
Northern	**47,637**	**22.2**	37,247	23.0	27.9
Eastern and Central	**76,959**	**35.9**	54,990	34.0	40.0
Southwest	**14,392**	**6.7**	7,081	4.4	103.2
Northwest	**9,243**	**4.3**	8,320	5.1	11.1
Southern	**22,657**	**10.6**	15,002	9.3	51.0
Overseas	**9,657**	**4.4**	8,650	5.3	11.6
Total	**214,607**	**100.0**	161,812	100.0	32.6

In addition, adjustment in product mix is another important factor in enhancing the results for the period. During the period, the Group focused in sale and marketing of high value-added products such as orthopedic products, drug eluting stents, intravenous catheter needles, CT developer sterile syringes and pain killing pumps. It has significantly increased the proportion of sales generated from high value-added products. Comparison of the sales of the principal products with that of the previous period is set out as follows:

Turnover by product segments

Product category	For the three months ended 31 March **2007** *RMB'000*	2006 *RMB'000*	Growth %
Self-produced products			
Consumables			
– Infusion/transfusion set	**52,575**	47,415	10.9
– Syringes	**45,065**	37,149	21.3
– Blood bags	**21,747**	16,964	28.2
– Dental and anesthetic consumables	**2,688**	2,328	15.5
– Blood sampling products	**4,624**	2,721	69.9
– Medical needles	**20,028**	8,371	139.3
– Other consumables	**14,706**	8,112	81.3
Subtotal for consumables	**161,433**	123,060	31.2
Orthopedic products	**23,571**	18,372	28.3
Blood purification consumables	**2,985**	1,867	59.9
PVC granules	**14,606**	10,429	40.1
Trading			
Medical equipment	**10,793**	7,804	38.3
Other products	**1,219**	280	335.4
Total	**214,607**	161,812	32.6

HUMAN RESOURCES

For the three months ended 31 March 2007, the Group employed a total of 5,400 employees. Breakdown by departments is as follows:

Departments	Number of employees
Research and development	146
Sales and marketing	661
Production	4,243
Purchasing	28
Quality control	85
Management	55
Finance and administration	182

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 period, total amount of staff salaries, welfare and various funds amounted to approximately RMB26,418,000.

FINANCIAL REVIEW

During the reporting period, the Group recorded significant growth in both turnover and net profit attributable to shareholders.

For the three months ended 31 March 2007, unaudited turnover and net profit recorded by the Group were approximately RMB214,607,000 and RMB43,970,000 respectively, representing a growth of 32.6% and 70.5% as compared with approximately RMB 161,812,000 and RMB25,786,000 in the corresponding period of 2006 respectively.

The significant growth in turnover and profit was mainly due to the adjustments to the business and product mix, enhancement in the operation efficiency and efforts in exploring new businesses.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position for the three months ended 31 March 2007. As at 31 March 2007, the Group had a cash balance of approximately RMB 88,481,000.

During the period, the Group obtained additional bank borrowings of approximately RMB50,000,000 and repaid bank borrowings of approximately RMB57,000,000. As at 31 March 2007, the total amount of short-term loans was approximately RMB98,043,000 and the total amount of long-term loans was approximately RMB281,000,000.

Total interest expense of the Group during the period was approximately RMB5,525,000.

GEARING RATIO

The Group's gearing ratio was 39% (2006: 37%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balance) over shareholders' funds. Increase in ratio was mainly due to the increase in capital expenditures by the Group during the period.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2007.

CAPITAL COMMITMENTS

As at 31 March 2007, the capital commitments of the Group not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB15,661,000. 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 AND FUTURE MATERIAL INVESTMENT PLANS

On 19 April 2007, the Company placed 30,000,000 new H Shares. The net proceeds from the placing is approximately HK$394,500,000, which will be used for expansion of production capacity of orthopedic products, stents, blood purification products and other consumables, and for additional working capital.

As at 31 March 2007, 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. 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 three months ended 31 March 2007, 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 with the increase in awareness in healthcare and demand in medical treatment, it will drive the rapid growth of the single-use medical devices in the PRC. At the same time, the Directors anticipate that process of restructuring of the medical device industry in the PRC will continue and intensify. In the short term, it will delay in the settlement of accounts receivables and tie up an increased amount of working capital. 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 competitive advantage with a direct sales network.

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

1. Accelerating international collaborations to enhance competitiveness. Cooperation with Medtronic is the beginning of the Group's international collaborations. The Group will continue to explore cooperation opportunities with leading international medical device manufacturers by leveraging on the Group's advantage in low cost manufacturing, strong research capabilities and extensive sales network in the PRC, so as to enlarge its market share and speed up the process of internationalization of the Group.

2. Apply the proceeds from placement in expanding the production capacity, speed up construction, ensuring smooth construction of the orthopedic industrial park, drug eluting stent production base and procurement of production facilities of blood purification.

3. Adjustments to 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 rate of contribution of each product type to the Group's profit.

4. Strengthening on market strategies to continue adjusting the sales channel, gradually shifting direct sales to customers of single products with low profitability and high maintenance cost over to distributors, at the same time gradually promoting direct sales of drug eluting stents and orthopedic products to high-end customers.

5. Strengthening on management of market resources allocations, developing new customers and exploit potentials with existing customers, increasing marketing activities, expanding sales team and developing a strong sales network leading to continuous sales growth.

6. 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 31 March 2007, the interests of Directors and their associates in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to theCompany 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 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%
Mrs. Zhou Shu Hua	Beneficial owner	5,100,000	0.53%
Mr. Wang Zhi Fan	Beneficial owner	2,700,000	0.28%
Mr. Wu Chuan Ming	Beneficial owner	2,400,000	0.25%

(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 report, none of the Directors or 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 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO recorded that other than the interests disclosed above in respect of certain Directors, the following shareholder had notified the Company of relevant interest in the issued share capital of the Company.

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 19 April 2007, placing of 30,000,000 new H Shares of the Company resulting the shareholding interest of Weigao Holding in the Company changed from 59.88% to 58.07%.

Save as disclosed above, as at the date of this report, the Company has not been notified of any relevant interests or short positions in the issued share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 and placing of 30,000,000 new H shares of the Company on 19 April 2007.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard of corporate governance. The Board considers 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"), Mr. Li Jia Miao, 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 three months ended 31 March 2007 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.

COMPLIANCE ADVISER'S INTERESTS

Goldbond Capital (Asia) Limited ("Goldbond") has been appointed as the compliance adviser of the Company from 24 July 2004 to the date of release of financial results of 2006 pursuant to a letter dated 19 January 2007.

Neither Goldbond, nor its Directors or employees or associates (as referred to in note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or any other companies in the Group up to the date of release of financial results of 2006.

COMPETING INTERESTS

So far as the Directors are aware, as at 31 March 2007, 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 MODEL CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2007, 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 the model 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
9 May 2007

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. Luan Jian Ping, Mr. Shi Huan, Mr. Li Jia Miao and Mr. Lau Wai Kit as the independent non-executive Directors.