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)

*For identification purposes only

07 Interim Report

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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 six months ended 30 June 2007, the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB470,724,000, representing an increase of approximately 33.5% over RMB352,508,000 for the corresponding period in last year.

Unaudited net profit attributable to the shareholders for the six months ended 30 June 2007 was approximately RMB110,851,000, representing an increase of approximately 72.1% from approximately RMB64,419,000 for the corresponding period in last year.

During the period, effects of strategic adjustments to business and product mix were significant. Profits of Shandong JW Medical Products System Corporations ("JW Medical"), the jointly controlled entity of the Company, and Shandong Weigao Orthopaedic Device Company Limited ("Weigao Orthopaedic"), a subsidiary of the Company, continued to grow and their market positions continued to strengthen. Market share of the needle products grew rapidly and made significant profit contributions to the Group.

Integration of the Group's sales channels continued, with newly added 29 hospitals and 3 blood stations. As at 30 June 2007, the Group has a customer base of 5,465.

The board of Directors (the "Board") recommended the distribution of an interim dividend of RMB0.034 for the six months ended 30 June 2007.

UNAUDITED CONSOLIDATED RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the three months and six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006 as follows:

Condensed Consolidated Income Statement

		Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
		2007	2006	2007	2006
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3	470,724	352,508	256,117	190,696
Cost of sales		(269,464)	(202,051)	(143,738)	(106,985)
Gross profit		201,260	150,457	112,379	83,711
Other income		14,766	10,633	8,573	6,324
Distribution costs		(73,594)	(55,647)	(39,190)	(28,618)
Administrative expenses		(33,653)	(27,202)	(17,207)	(15,353)
Finance costs	5	(11,544)	(9,940)	(6,019)	(4,785)
Share of results in a jointly controlled company		24,637	4,564	15,962	2,478
Profit before taxation	6	121,872	72,865	74,498	43,757
Taxation	7	(2,639)	(2,575)	(1,624)	(1,709)
Profit for the year		119,233	70,290	72,874	42,048
Profit attributable to :	8				
Equity holders of the Company		110,851	64,419	66,881	38,633
Minority interests		8,382	5,871	5,993	3,415
		119,233	70,290	72,874	42,048
Dividends					
Dividends paid		32,853	19,311	32,853	19,311
Dividends proposed	9	33,849	19,311	33,849	19,311
Earnings per Share (Basic)	10	RMB0.114	RMB0.067	RMB0.068	RMB0.040

Condensed Consolidated Balance Sheet

	Notes	Unaudited As at 30 June 2007 *RMB'000*	Audited As at 31 December 2006 *RMB'000*
Non-current assets			
Property, plant and equipment	11	661,984	591,913
Prepaid lease payment for land use rights	12	80,449	53,922
Prepaid property payment - land use rights		—	45,000
Goodwill		3,316	—
Interest in a jointly controlled entity	13	68,442	43,805
		814,191	734,640
Current assets			
Inventories	14	200,774	166,185
Trade and other receivables	15	423,077	355,835
Pledged time deposits	16	36,328	22,328
Bank balances and cash	17	429,040	115,131
		1,089,219	659,479
Current liabilities			
Trade and other payables	18	329,211	253,801
Bank borrowings - repayable within one year	19	83,000	105,043
Tax payable		288	6,429
		412,499	365,273
Net current assets		676,720	294,206
		1,490,911	1,028,846

	Notes	As at 30 June 2007 *(unaudited)* *RMB'000*	As at 31 December 2006 *(audited)* *RMB'000*
Capital and reserves			
Share capital	20	99,556	96,556
Reserves		1,063,798	602,184
Equity attributable to equity holders of the Company		1,163,354	698,740
Minority interests		57,557	49,106
Total equity		1,220,911	747,846
Non-current liabilities			
Bank borrowings - repayable after one year	19	270,000	281,000
		1,490,911	1,028,846

Condensed Cash Flow Statement

	For the six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Net cash generated from operating activities	97,879	74,807
Net cash used in investing activities	(95,725)	(79,382)
Net cash inflow/(outflow) before financing activities	2,154	(4,575)
Net cash inflow/(outflow) from financing activities	311,755	(19,251)
Net increase/(decrease) in cash and cash equivalents	313,909	(23,826)
Bank balances and cash as at beginning of the Period	115,131	154,985
Bank balances and cash as at ending of the period	429,040	131,159

Consolidated Statement of Changes in Equity

	Unaudited For the six months ended 30 June 2007 RMB'000	2006 RMB'000
Balance as at 1 January	698,740	566,441
Net profit during the period	110,851	64,419
Dividend paid	(32,853)	(19,311)
Share issue		
Share capital	3,000	—
Share premium	387,417	—
Share issue expenses	(3,801)	—
	386,616	—
Balance as at 30 June	1,163,354	611,549

Notes:

1. **General**

The Company was incorporated 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 Company's H shares have been listed on GEM of the Stock Exchange since 27 February 2004.

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

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

2. **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 statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2006.

During the period, the Group has for the first time applied the various new and amended HKFRSs and HKASs (collectively referred to as the "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005, 1 June 2006, 1 November 2006 or 1 January 2007. The application of the new HKFRSs had no material effect on the presentation of the results for the current accounting periods and/or previous accounting years. Therefore, no adjustment has been made for the prior periods.

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

The consolidated results for the six months ended 30 June 2007 have not been audited by the Company's auditor but have been reviewed by 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 2006.

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 medical device 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 six months ended 30 June 2007 were approximately RMB6,019,000 and RMB11,544,000 respectively (corresponding period in 2006: approximately RMB4,785,000 and RMB9,940,000), which mainly included interest expenses for bank and other borrowings.

6. Profit from operations

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

	Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Provisions for bad debts	3,707	2,358	1,562	372
Auditors' remuneration	—	—	—	—
Depreciation and amortisation	23,780	18,635	11,917	11,107
Prepaid lease payments charged to income statement	885	697	536	348
Rental payments in respect of premises under operating leases	1,859	1,983	1,219	1,350
Research and development expenditure	8,045	5,271	4,408	2,926
Staff costs, including directors' remuneration				
- Retirement benefits scheme contributions	11,046	10,047	6,731	5,860
- Wages and salaries	47,970	38,136	25,867	21,002
Total staff costs	59,016	48,183	32,598	26,862
Gains and losses from foreign exchange	212	45	158	35
Gains on disposal of property, plant and equipment	(93)	(113)	(88)	(93)
Interest income	(271)	(323)	(172)	(215)
Rebate of value-added tax ("VAT") (Note)	(12,646)	(7,855)	(7,526)	(3,911)

Note: The Tax Bureau in Weihai granted refund on the VAT effectively paid by Weihai Jierui Medical Products Company Limited 威海洁瑞醫用製品有限公司 ("Jierui Subsidary") on the basis of "payment first then rebate", from 1 May 1999 to 30 June 2007.

During the period, changes have been made to value added tax ("VAT") preferential policies on social welfare entities in the PRC. Effective from 1 July 2007, the taxation bureau of Weihai City, in accordance with the number disabled people handled by Jierui Subsidiary and the subsidy limit of each disabled person, rebated the actual amount of VAT. The subsidy limit of each disabled person was determined at six times of the minimum wages approved by the people's government of Weihai City, but subject to an annual maximum limit of RMB 35,000 per person. The change of these tax policies will have impact on other operating income of Jierui Subsidiary for the accounting period starting from 1 July 2007.

7. Taxation

No provision for Hong Kong and overseas profit tax has been made as the Group's overseas branches, Hong Kong Weigao International Medical Co., Ltd. and Weigao Medical (Europe) Co., Ltd. have not derived any taxable profit in Hong Kong or overseas during the period.

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 rate of 15%. For the one and a half financial year from 1 July 2004 to 31 December 2005, the Company is entitled to an exemption from PRC income tax, followed by a 50% tax relief for the next three years. The tax charges provided for the period from 31 July 2004 to 30 June 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 the 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. During the period from 1 January 2007 to 30 June 2007, Jierui Subsidiary was exempted from PRC income tax, but shall be subject to the PRC income tax at statutory rates from 1 July 2007. 2 times of wages of employee with disabilities employed by social welfare entities are allowed as deductible expenses. In 2006, Jierui Subsidiary was confirmed as High and New Technology Enterprise, and pursuant to the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", Jierui Subidiary was subject to income tax at a tax rate of 15%.

山東威高骨科材料有限公司 (Shandong 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 making year, followed by a 50% tax relief for the next three years. Provision for taxation for the six months ended 30 June 2007 was made after the tax privilege. In 2006, Weigao Orthopaedic was recognised as a "High and New Tchnology 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", Weigao Orthopaedic was subject to income tax at a rate of 15%.

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 six months ended 30 June 2007, the profits attributable to equity holders of the Group were approximately RMB66,881,000 and RMB110,851,000 (Corresponding period in 2005: RMB38,633,000 and RMB64,419,000) respectively.

9. Dividend

	Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Dividend confirmed to be distributed during the period:				
Final dividend paid in 2006 RMB0.033 per Share (2005: RMB0.02 per Share)	**32,853**	19,311	**32,853**	19,311
Interim dividend, proposed, RMB0.034 per share (corresponding period in 2006: RMB0.02 per share)	**33,849**	19,311	**33,849**	19,311

The Board recommended an interim dividend of RMB0.034 per share for the six months ended 30 June 2007 (Corresponding period in 2006: RMB0.02). The proposed dividend is not presented as a dividend payable but will be presented as an appropriation of retained profits for the period ended 30 June 2007.

10. Earnings per share

For the three months and six months ended 30 June 2007, basic earnings per share were calculated based on profits attributable to equity holders of the Company of approximately RMB66,881,000 and RMB110,851,000 (Corresponding period in 2006: RMB38,633,000 and RMB64,419,000) respectively, and on the weighted average total number of 985,560,000 shares and 975,560,000 shares (Corresponding period in 2006: 965,560,000 shares and 965,560,000 shares) respectively.

Diluted earnings per share is not presented, as no potential ordinary shares were outstanding for the three months and six months ended 30 June 2007.

11. Property, plant and equipment

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
The Group							
Cost							
At 31 December 2006	43,512	337,821	248,091	15,803	8,341	38,191	691,759
Additions	57,925	1,826	29,262	1,387	771	2,879	94,050
Transfer	(8,522)	—	8,062	195	—	265	—
Disposals	—	—	(4)	(459)	—	—	(463)
At 30 June 2007	92,915	339,647	285,411	16,926	9,112	41,335	785,346
Depreciation and amortisation							
At 31 December 2006	—	31,741	40,085	5,730	3,445	19,845	99,846
Provided for the period	—	5,213	12,555	1,291	1,574	3,147	23,780
Eliminated on disposals	—	—	(2)	(262)	—	—	(264)
At 30 June 2007	—	36,954	52,638	6,759	5,019	21,992	123,362
Net book values							
At 30 June 2007	92,915	302,693	232,773	10,167	4,093	19,343	661,984
At 31 December 2006	43,512	306,080	208,006	10,073	4,896	19,346	591,913

12. Prepaid lease payments

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
The Group's prepaid lease payments comprise:		
Leasehold land in PRC		
Medium-term lease	82,406	55,317
Analysed for reporting purposes as:		
Current portion (included in trade and other receivables)	1,957	1,395
Non-current portion	80,449	53,922
	82,406	55,317

13. Interest in a jointly controlled entity

	The Group	
	As at 30 June 2007 (unaudited) RMB'000	As at 31 December 2006 (audited) RMB'000
Cost of unlisted investment, at cost	13,000	13,000
Share of net assets	55,442	30,805
	68,442	43,805

Name	Form of business structure	Place of incorporation or registration/ operation	Class of Shares held	Attributable equity interest directly held by the Company	Principal activities
Shandong JW Medical Products Co., Ltd.	Incorporated	PRC	Registered Capital	50%	Production and sales of drug-eluting stents

14. **Inventories**

	As at 30 June 2007 *(Unaudited)* *RMB'000*	As at 31 December 2006 *(Audited)* *RMB'000*
At cost:		
Raw materials	101,275	75,251
Finished goods	99,499	90,934
	200,774	166,185

Increase in inventories of raw materials and finished goods were mainly due to the increase in inventory level to ensure supply for the increasing demand of the Group's new products of intravenous catheters, pre-filled syringes and orthopaedics products.

15. Trade and other receivables

	As at 30 June 2007 *(Unaudited)* *RMB'000*	As at 31 December 2006 *(Audited)* *RMB'000*
0 to 90 days	217,213	177,029
91 to 180 days	66,443	55,073
181 to 365 days	45,210	39,935
Over 365 days	10,434	10,349
Trade receivables	339,301	282,386
Bills receivable	5,010	3,991
Other receivables, deposits and prepayments	78,766	69,458
	423,077	355,835

16. Pledged time deposits

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group. The amounts have been pledged to secure short-term bank loans and are therefore classified as current assets. The deposit carries fixed interest rate of 0.7% (2006: 0.7% to 2.3%) per annum.

17. **Bank balances and cash**

Bank balances and cash comprise cash held by the Group and short-term bank deposits with maturity of three months or less. The maximum interest rate for those deposits was 0.7% (2006: 0.7%) per annum. The fair value of the bank deposits at 30 June 2007 approximated to their corresponding carrying amounts.

18. **Trade and other payables**

	As at 30 June 2007 *(unaudited)* *RMB'000*	As at 31 December 2006 *(audited)* *RMB'000*
0 to 90 days	85,134	68,816
91 to 180 days	20,806	12,242
181 to 365 days	7,955	5,110
Over 365 days	4,664	2,767
Trade payable	118,559	88,935
Bills payable	129,740	92,750
Other payable and accrued expense	80,912	72,116
	329,211	253,801

19. **Bank borrowings**

	As at 30 June 2007 *(Unaudited)* *RMB'000*	As at 31 December 2006 *(Audited)* *RMB'000*
Secured bank loans	108,800	90,343
Unsecured bank loans	244,200	260,700
Other un-secured bank loans	—	35,000
	353,000	386,043
The maturity of the above bank and other loans are as follows:		
On demand or within one year	83,000	105,043
More than one year but not exceeding two years	270,000	281,000
	353,000	386,043
Less: Amount due within one year shown under current liabilities	(83,000)	(105,043)
Amount due after one year	270,000	281,000

20. Share capital

	Nominal value of shares	Number of domestic shares	Number of H shares	Total number of shares	Value
	RMB				*RMB'000*
At 1 January 2005	0.1 per share	600,000,000	264,500,000	864,500,000	86,450
Issue of domestic shares	0.1 per share	48,160,000	—	48,160,000	4,816
Issue of H Shares *(Note a)*	0.1 per share	—	52,900,000	52,900,000	5,290
At 31 December 2005 and At 31 December 2006	0.1 per share	648,160,000	317,400,000	965,560,000	96,556
Issue of H Shares *(Note b)*	0.1 per share	—	30,000,000	30,000,000	3,000
At 30 June 2007	0.1 per share	648,160,000	347,400,000	995,560,000	99,556

Note a: On 30 November 2005, the Company issued 52,900,000 H shares of RMB 0.1 each at HK$1.35 per share for cash by way of placing.

Note b: On 19 April 2007, the Company issued 30,000,000 H Shares of RMB0.1 each at HK$13.62 per share for cash by way of placing.

21. Movements in reserves

	Share premium reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(Note d)*	Statutory public welfare fund *RMB'000* *(Note e)*	Retained earnings *RMB'000*	Total *RMB'000*
THE GROUP					
As at 1 January 2006	233,752	34,293	17,147	184,693	469,885
Profit for the year and total revenue recognised	—	—	—	170,921	17,921
Dividend paid	—	—	—	(38,622)	(38,622)
Appropriation *(Note c)*	—	36,033	(17,147)	(18,886)	—
As at 31 December 2006	233,752	70,326	—	298,106	602,184
Issue of H shares	387,417	—	—	—	387,417
Share issue expenses	(3,801)	—	—	—	(3,801)
Profit for the period and total revenue recognised	—	—	—	110,851	110,851
Dividend paid	—	—	—	(32,853)	(32,853)
As at 30 June 2007	617,368	70,326	—	376,104	1,063,798
Representing:					
Proposed Interim dividend for the six months ended 30 June 2007					33,849
Reserves					1,029,949

Notes:

(c) **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.

(d) **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 capital to be less than 25% of the registered capital.

(e) **Statutory public welfare fund**

According to the Company laws and regulations of 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 was part of the share capital of the Shareholders, which cannot be distributed other than for the purpose of liquidation. As resolved by the Board of Directors, in accordance with the Company Law of the PRC, the Company transferred an amount of RMB17,147,000 from the statutory public welfare fund to the statutory surplus reserve fund on 1 January 2006.

Business Review

International Cooperation

The Group is dedicated to become a leading manufacturer of medical devices in Asia.

During the period, significant progress has been made on the following.

(1) On 2 March 2007, the Company entered into an eight year long-term loan agreement of US$20,000,000 with International Finance Corporation, a member of the World Bank Group. As at the date of this report, the Company has not drawn down any amount. The collaboration will facilitate the business development and satisfy future capital demands of the Company.

(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 continues in-depth discussions and strive to reach a collaboration agreement.

These international collaborations will further expand the Group's business and strengthen its research and development capabilities. By leveraging on the Group's advantages in customer resources in the PRC market and its manufacturing capability, it lays the foundation for the Group to become the leading medical device group in Asia.

Optimization Adjustments to Business and Product Mix

During the period, the Group continued to focus on adjustments to business and product mix and increase in capital expenditure. The Group focused on the business development of orthopaedic products, blood purification products and drug eluting stent products. The Group increased the marketing and sales effort on high value-added products such as intravenous catheters, high-end infusion sets, safety auto disabling syringes and phased out the production of some low value-added products. The achievement was remarkable.

During the period, Weigao Orthopaedic, a subsidiary of the Company, achieved strong market expansion, and started developing markets in the U.S. and Europe. For the six months ended 30 June 2007, Weigao Orthopaedic recorded a turnover of RMB44,049,000, representing an increase of 39.6% over the corresponding period of last year.

Due to capacity constraint, expansion of orthopaedic market penetration was affected. Construction of the Weigao Ortho industrial park invested by the Group end of last year was completed, and as at the date of this report, moving of the Weigao Orthopaedic workshop has been completed, and can be put into full operation by the third quarter of 2007.

During the period, in order to meet the demands for medium and low end products in the PRC market, Weigao Orthopaedic acquired 51% stake in 常州健力邦德醫療器械有限公司 (Changzhou Jianli Bangde Medical Devices Co., Ltd.), which has an excellent operation management team and seven orthopaedic product registration certificates. The acquisition enhances the operation management of Weigao Orthopaedic and enrich the company's product lines. The acquisition will further strengthen the competitiveness of Weigao Orthopaedic in the medium and low end trauma products and expand its market coverage.

Obtaining certifications for plasma segregator, lavage set and recombinant protein adsorption column of Weihai Weigao Blood Purification Product Company Limited ("Weigao Blood Purification") were under way, and establishing market network was progressing well, trial production was also completed.

Production and sales of drug-eluting stents by JW Medical, which is 50% held by the Company, was growing rapidly, and development of international market was progressing well. During the period, the attributable profit of JW Medical to the Group amounted to RMB24,637,000, representing an increase of 439.8% over the corresponding period in last year. Construction works of the production base acquired and invested by JW Medical at end of last year was under way, and is anticipated to be put into operation within this year.

The Group's intravenous catheter needle products have strong growth potentials. During the period, the raw needle tube production line invested by the Group was operating smoothly, extending the needle product chain, and raising the profitability of intravenour catheters. At the same time, the Group increased its efforts in the marketing and sales of needle products, driving record sales of approximately RMB48,127,000, representing a growth of 161.0% compared with the corresponding period of last year.

Research and Development

For the six months ended 30 June 2007, the Group obtained 11 new patents and is applying for 26 new patents. Product registration certificates for 16 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 six months ended 30 June 2007, the total research and development expenses amounted to approximately RMB8,045,000, representing 1.7% of the total turnover of the Group.

During the period, the Company cooperated with School of Entrepreneurship and Business of University of Essex in United Kingdom (英國艾賽克斯商業管理學院) and established Weigao Europe Research Center (威高歐洲研究中心), so as to track the latest research results and technology in the international medical device industry, and to enhance the Group's level in research and development.

During the period, 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) developed by Weigao Orthopeadic successfully certified by Science and Technology Bureau of Shandong Province that the technical knowhow meets international advanced standard.

During the period, the pityriasis rubra pilaris (PRP) (富血小板血漿製備用套裝), tubal embryo transfer system (胚胎移植導管系統), folicile oocytes collection system (卵母細胞採集系統) developed by the Company have passed the appraisals by the provincial technology bureau, and have attained industrial leading level in the PRC.

Production

For the six months ended 30 June 2007, production volume of the Group's products as compared with the corresponding period in 2006 were as follows:

(1) approximately 116,917,000 sets of single-use sterile infusion (transfusion) sets, increased by 11.6%;

(2) approximately 224,950,000 sets of single-use sterile syringes, increased by 41.6%;

(3) approximately 7,362,000 sets of single-use sterile blood transfusion consumables (including blood bag products), increased by 21.9%;

(4) approximately 882,000 sets of single-use sterile dental and anesthetic products, increased by 7.6%;

(5) approximately 38,690,000 sets of blood sampling products, increased by 36.9%;

(6) approximately 867,150,000 sets of medical needle products, increased by 59.6%;

(7) approximately 6,155 tones of PVC granules, increased by 39.3%;

(8) approximately 373,000 pieces of orthopedic materials, decreased by 38.1% (Note);

(9) approximately 48,742,000 sets of other products, increased by 47.1%.

Note: Decrease in the production of orthopaedic products was mainly due to the adjustment to the product mix with the increase in the proportion of high value-added products, and the high level in the stock reserves of newly launched products in the corresponding period in 2006 in order to satisfy market sales.

With the Enterprise Resource Planning ("ERP") 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 Company invested RMB3,826,000 to establish Weigao Medical (Europe) Co., Ltd. to explore the medical device market in Europe, and to expand its proportion of revenue earned from overseas market.

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. For the six months ended 30 June 2007, the Group has secured 29 hospitals and 3 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 28 and corporate customers by 17. As of today, the Group has a customer base of 5,465 (including 2,796 hospitals, 411 blood stations, 714 other medical units and 1,544 trading companies).

Integration of channels has strengthened the Group's penetration in and influence on high-end direct sales customers. It saved sales expenses and enhanced contribution per customer raising the averge revenue per customer by approximately 32.6% as compared with the corresponding period of the previous year.

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

Revenue by geographical segments

Region	For the six months ended 31 June				
	2007		2006		Growth
	RMB'000	%	*RMB'000*	%	%
Northeast	70,582	15.0	62,730	17.8	12.5
Northern	110,509	23.5	96,005	27.2	15.1
Eastern and Central	162,153	34.4	101,734	28.9	59.4
Southwest	31,300	6.6	18,342	5.2	70.6
Northwest	18,565	3.9	16,659	4.7	11.4
Southern	52,738	11.2	35,592	10.1	48.2
Overseas	24,877	5.3	21,446	6.1	16.0
Total	470,724	100.0	352,508	100.0	33.5

In addition, adjustment in product mix is another important factor in enhancing the results for the period. During the period, the Group focused on 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

Product category	For the six months ended 30 June 2007 RMB'000	2006 RMB'000	Growth %
Self-produced products			
Consumables			
– Infusion/transfusion set	115,890	99,555	16.4
– Syringes	101,205	80,354	25.9
– Blood bags	45,452	39,465	15.2
– Dental and anesthetic consumables	6,087	4,922	23.7
– Blood sampling products	10,130	8,232	23.1
– Medical needles	48,127	18,443	161.0
– Other consumables	38,151	25,387	50.3
Subtotal for consumables	365,044	276,358	32.1
Orthopedic products	44,049	31,544	39.6
Blood purification consumables	6,046	3,809	58.7
PVC granules	37,415	24,867	50.5
Trading			
Medical equipment	15,314	15,289	0.2
Other products	2,856	641	345.6
Total	470,724	352,508	33.5

HUMAN RESOURCES

As at 30 June 2007, the Group employed a total of 5,215 employees. Breakdown by departments is as follows:

Departments	Number of employees
Research and development	148
Sales and marketing	664
Production	4,047
Purchasing	27
Quality control	87
Management	56
Finance and administration	186

During the period, the Group implemented various investment in production automation and technological innovation projects, thereby enhanced production efficiency significantly, and reduced the number of production workers required.

Save as the qualified accountant and the company secretary, who reside in Hong Kong, all employees of the Group resided in the PRC. For the six months ended 30 June 2007, the Group's total costs on staff salaries, welfare and various funds amounted to approximately RMB59,016,000.

FINANCIAL REVIEW

Financial Summary

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

For the six months ended 30 June 2007, unaudited turnover and net profit recorded by the Group were approximately RMB470,724,000 and RMB110,851,000 respectively, representing a growth of 33.5% and 72.1% as compared with approximately RMB 352,508,000 and RMB64,419,000 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 six months ended 30 June 2007. As at 30 June 2007, the Group had a cash balance of approximately RMB 429,040,000.

During the period, the Group obtained additional bank borrowings of approximately RMB179,400,000 and repaid bank borrowings of approximately RMB212,443,470. As at 30 June 2007, the total amount of short-term loans was approximately RMB83,000,000 and the total amount of long-term loans was approximately RMB270,000,000.

Total interest expense of the Group during the period was approximately RMB11,544,000.

Capital Structure

As at 30 June 2007, the Group's has a net cash position of RMB76,040,000. The Group's gearing ratio calculated on the basis of the Group's net borrowings (after deducting cash and bank balance) over shareholders' funds for the corresponding period in the last year was 0.33. Decrease in ratio was mainly due to the increase from the issue of H Shares and increase in profits by the Group 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 six months ended 30 June 2007, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2007.

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.

During the period, Weigao Orthopaedic acquired 51% stake in 常州健力邦德醫療器械有限公司 (Changzhou Jianli Bangde Medical Devices Co., Ltd.), which has an excellent operation management team and seven orthopaedic product registration certificates, at a consideration of RMB 6,000,000. The acquisition enhances the operation management of Weigao Orthopaedic and enrich the company's production lines, and will further strengthen the competitiveness of Weigao Orthopaedic in the medium and low end trauma products.

As at 30 June 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.

Capital Commitments

As at 30 June 2007, the capital commitments of the Group not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RM22,449,000. The amount will be paid by the Group out of the proceeds from the issue of shares and the internal resources of the Group.

RESERVES AND DISTRIBUTABLE RESERVES

As at 30 June 2007, the Group has total reserves of RMB1,063,798,000 (2006: RMB514,993,000).

Under the laws and regulations of the PRC, the Company's distributable reserves have been based on the lower of the amount as presented under the PRC accounting standards and regulations and under HK GAAP. As at 30 June 2007, reserves distributable to shareholders was RMB162,614,000 (2006: RMB110,056,000).

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.

With the tightening in product registration reviews by the medical registration regulatory authorities, approval for registration of new products, in particular high value-added medical devices, will be significantly slowed down. It will directly lead to the increase in the risk of new product development and extension of investment period. In respect of medium and small enterprises, risk of investment and development will be greater. The Directors expect that the in registration reviews will affect the progress the Group in launching new products. At the same time, it will provide opportunities in industry consolidation. The Group will leverage on its in capital and management to take advantage of the market consolidation.

Facing with the continued adjustment of the national tax policies and the increase in uncertainties in the adjustments, the Directors expect that the Company's tax management will be a key aspect in the Company's future management. The Company has made necessary arrangements for the future adjustments in the tax policies, so as to minimise the impact from the changes in the tax policies.

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 manufacturing capability, 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, focussing on smooth expansion 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.

7. With the changes in the competitions in the PRC market, by leveraging on the Group's advantages in capital base, brand recognition, management and distribution strengths, to actively participate in the mergers and acqusitions, and continue its expansions and strengthening its competitiveness, so as to consolidate the Group's leading position in the market.

Project	Statement of use of proceeds as set out in the announcement dated 19 April 2007 regarding 2007 placing	Used up to 30 June 2007
	RMB	*RMB*
Purchase of production machinery and equipment for orthopaedic products	98,820,000	38,139,000
Purchase of production machinery and equipment for cardiovascular stent business	59,292,000	—
Purchase of production machinery and equipment for blood purification products	49,410,000	12,202,000
Expansion of production capacity of consumer products	49,410,000	16,513,000
General working capital	132,913,000	132,913,000

DIVIDEND

The Board recommended to distribute an interim dividend of RMB0.034 per share, or a total of approximately RMB33,849,000 for the six months ended 30 June 2007. Dividends payable to shareholders in the PRC will be paid in RMB, and dividends payable to holders of H Shares will be paid in Hong Kong dollars.

Closure of Register of Members

The Register of Members of the company will be closed from 8 September 2007 to 8 October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote (as capacity of shareholder) the extraordinary general meeting of the Company to be held on Monday, 8 October 2007, and to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Standard Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 7 September 2007. Dividend warrants will be despatched on or before Thursday 8 November 2007 to shareholders whose names appear on the Company's register of members on 8 October 2007.

DISCLOSURE OF INTERESTS

Directors' Interests and Long Positions in Shares

As at 30 June 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 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 Director	Capacity	Number of domestic shares	Approximate percentage of the Company's issued share capital
Mr. Zhang Hua Wei	Beneficial owner	10,800,000	1.08%
Mr. Miao Yan Guo	Beneficial owner	7,800,000	0.78%
Mr. Wang Yi	Beneficial owner	7,800,000	0.78%
Mrs. Zhou Shu Hua	Beneficial owner	5,100,000	0.51%
Mr. Wang Zhi Fan	Beneficial owner	2,700,000	0.27%
Mr. Wu Chuan Ming	Beneficial owner	2,400,000	0.24%

In addition , Mr. Chen Lin, son of Mr, Chen Xue Li (Chairman) is holder of the Company's 23,400,000 Domestic Shares, representing 2.35% of the issued share capital.

(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 30 June 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	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.

Major Customers and Suppliers

For the six months ended 30 June 2007, the largest supplier of the Group and the next four largest suppliers accounted for about 13.3% and 30.7% respectively of the Group's total purchases.

Aggregate sales attributable to the Group's five largest customers were less than 30.0% of the Group's total turnover.

At no time during the period did a director, an associate of a director or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the five largest customers or suppliers.

COMPLIANCE ADVISER'S INTERESTS

Goldbond Capital (Asia) Limited ("Goldbond") has been appointed as the compliance adviser of the Company during the period from 24 July 2004 to 14 March 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.

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 Mr. 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 30 June 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 and 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 June 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 have conflict of interest with the business of the Group.

CODE OF MODEL CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 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
14 August 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.