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)

2009 First Quarterly Report

* For identification purposes only

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

* *for identification purpose only*

SUMMARY

For the three months ended 31 March 2009, unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and together with its subsidiaries, (the "Group") was approximately RMB 394,254,000, representing an increase of approximately 30.1% over approximately RMB303,008,000 in the corresponding period of the previous year.

Unaudited net profit attributable to the shareholders for the three months ended 31 March 2009 has increased by 38.2% from approximately RMB76,399,000 in the corresponding period of the previous year to approximately RMB105,603,000.

The Group continued the strategy in improving the product mix and focused on the development of blood purification business during the period. The Group increased sales and marketing effort on high valued-added products such as intravenous catheters, high-end infusion sets, safety auto-disable syringes, and phased out the production of certain low value-added products. The achievement was remarkable.

During the period, (1) turnover of the single use medical device products continued to grow rapidly and reached approximately RMB325,746,000, representing an increase of 40.4%; (2) turnover of orthopaedic business was approximately RMB 28,761,000, representing a decrease of 19.6% compared with that of the previous year due to transfer pricing adjustment made after the establishment of the joint venture company ("Distribution Joint Venture") with Medtronic Inc. ("Medtronic"), Distribution Joint Venture operated smoothly and the attributable profit to the Group was approximately RMB6,421,000 for the three months ended 31 March 2009; (3) turnover of blood purification business was approximately RMB9,921,000, representing an increase of 86.3% over the corresponding period of the previous year; and (4) attributable profit of the stent business to the Group was approximately RMB 22,124,000, representing an increase of 63.4% compared with that of the corresponding period of the previous year.

The board of Directors (the "Board") did not propose to declare an interim dividend for the three months ended 31 March 2009.

UNAUDITED CONSOLIDATED RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2009, together with the comparative figures for the corresponding period in 2008 as follows:–

CONSOLIDATED INCOME STATEMENT

	Note	Unaudited For the three months ended 31 March 2009 *RMB'000*	2008 *RMB'000*
Revenue	2	394,254	303,008
Cost of sales		(204,726)	(161,782)
Gross profit		189,528	141,226
Other income		16,421	7,222
Distribution costs		(74,304)	(50,713)
Administrative expenses		(42,638)	(23,966)
Finance costs	4	(1,242)	(5,845)
Share of profits in a jointly controlled entity		22,124	13,540
Share of profit of an associate		6,421	—
Profit before taxation	5	116,310	81,464
Income tax expense	6	(11,692)	(5,792)
Profit for the year		104,618	75,672
Attributable to:			
Equity holders of the Company	7	105,603	76,399
Minority interests		(985)	(727)
		104,618	75,672
Dividend	8	—	—
Earnings per share (basic)	9	RMB0.098	RMB0.077

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 "HKFRSs") 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 2008.

The Group has applied the new and amended Hong Kong Financial Reporting Standards ("new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2008. The adoption of the new HKFRSs had no material effect to the presentation of the results for the current accounting periods and/or previous accounting years. Therefore, no adjustment is required to be made to the previous periods.

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

The consolidated results for the three months ended 31 March 2009 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 2008.

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.

For management purposes, the Group is currently organised into three operating divisions - single use medical products, orthopaedic products and other products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Single use medical products	—	production and sale of single use consumables such as infusion sets, syringes, blood transfusion sets and blood bags.
Orthopaedic products	—	production and sale of orthopaedic products.
Other products	—	production and sale of other products such as blood purification consumables, medical equipment and medical PVC granules.

Segment information about these businesses is presented below:

	For the three months ended 31 March 2009				
	Single use medical products	Orthopaedic products	Other products	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External sales	330,514	28,761	34,979	—	394,254
Inter-segment sales	—	—	13,169	(13,169)	—
	330,514	28,761	48,148	(13,169)	394,254
Segment result	103,474	8,440	6,090	(2,780)	115,224
Unallocated corporate expenses					(42,638)
Other income					16,421
Share of profit of a jointly controlled entity					22,124
Share of profit of an associate					6,421
Finance costs					(1,242)
Profit before tax					116,310
Income tax expense					(11,692)
Profit for the year					104,618

	For the three months ended 31 March 2008				
	Single use medical products	Orthopaedic products	Other products	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External sales	232,248	35,781	34,979	—	303,008
Inter-segment sales	—	—	11,101	(11,101)	—
	232,248	35,781	46,080	(11,101)	303,008
Segment result	71,201	18,004	1,890	(582)	90,513
Unallocated corporate expenses					(23,966)
Other income					7,222
Share of profit of a jointly controlled entity					13,540
Share of profit of an associate					—
Finance costs					(5,845)
Profit before tax					81,464
Income tax expense					(5,792)
Profit for the year					75,672

4. Finance costs

Finance costs for the three months ended 31 March 2009 were approximately RMB1,242,000 (corresponding period in 2008: approximately RMB5,845,000), which mainly included interest expenses for bank and other borrowings.

5. Profit before tax

Unaudited profit before tax after charging (crediting) the following:

	2009 *RMB'000*	2008 *RMB'000*
Provision for bad debts	1,901	736
Amortisation of Intangible assets (including administrative expenses)	779	940
Depreciation of property, plant and equipment	14,307	12,927
Depreciation of investment properties	138	138
Prepared lease payments charged to income statement	877	646
Rental payments in respect of premises under operating leases	957	969
Research and development expenditure	17,741	11,544
Cost of inventory recognized as expenses	204,726	161,782
Staff costs, including directors' remuneration		
Retirement benefits scheme contribution	11,133	7,818
Wages and salaries	40,379	28,971
Total staff costs	51,512	36,789
Net loss/ (gain) from foreign exchange	871	(3,395)
Losses on disposal of property, plant and equipment	29	76
Interest income	(969)	(887)
Rental income from investment properties	(564)	(564)
Rebate of value-added tax	(8,476)	(6,303)
Realised gain arising from establishing of an associate	(5,534)	—

Note: 威海潔瑞醫用製品有限公司 (Weihai Jierui Medical Products Company Limited) ("Jierui Subsidiary") was recognised as a "Social Welfare Entity". Pursuant to Guo Fa 2007 No.92 issued by the State Council, with effect from 1 July 2007, Jierui Subsidiary is subject to a statutory tax rate but an amount equivalent to the total salaries paid to staff with physical disability is further deducted from the assessable profit of Jierui Subsidiary and the rebate of value added tax is exempted from the PRC income tax and the refund limit for every employee with disability was based on six times of the local lowest standard wages approved by Weihai People's Government, and the annual refund of each employee with disability shall be subject to a maximum of RMB35,000. Jierui Subsidiary is subject to income tax at a tax rate of 15%.

6. Taxation

No provision for Hong Kong and overseas profit tax has been made as no taxable profit has been derived from Weigao International Medical Company Limited and Weigao Medical (Europe) Company Limited, the Group's overseas branches.

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%. Commencing from 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 Company commenced its first profit-making year in 2004. The tax charge provided for the three months ended 31 March 2009 were made after taking these tax incentives into account.

Jierui Subsidiary was recognised as a "Social Welfare Entity". Pursuant to Guo Fa 2007 No.92 issued by the State Council, with effect from 1 July 2007, Jierui Subsidiary is also subject to a statutory tax rate but an amount equivalent to the total salaries paid to staff with physical disability is further deducted from the assessable profit of Jierui Subsidiary and the rebate of value added tax is exempted from the PRC income tax. Jierui Subsidiary is subject to income tax at a tax rate of 15%. The tax charge provided for the three months ended 31 March 2009 was made after taking these tax incentives into account.

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 50% tax relief for the next three years. Weigao Orthopaedic commenced its first profit-making year in 2006. Weigao Orthopaedic 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", Weigao Orthopaedic was subject to income tax at a tax rate of 15%.

威海威高血液淨化製品有限公司 (Weihai Weigao Blood Purified Product Company Limited) ("Weigao Blood") was recognised as "High Technical Enterprise". Pursuant to "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Perferential Treatment Policies on Enterprise Income Tax", Weigao Blood was subject to income tax at a tax rate of 15%.

Taxations for other subsidiaries are calculated at a tax rate of 25%.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% 25% for certain subsidiaries from 1 January 2008. Article 57 stipulates that enterprises approved for establishment prior to the announcement of the New Law are subject to the provisions of the tax law and regulations then prevailing and enjoy preferential low tax rates. Pursuant to the State Council provisions, such enterprises may transit to the tax rate under the regime of the New Law within 5 years after implementation of the New Law. For those enjoying fixed period of tax exemption and preferential tax rates, pursuant to the State Council provisions, companies may continue to enjoy the preferential tax treatment until expiry after the implementation of the New Law. However, the preferential period for unutilized preferential treatment due to the absence of profits shall run from the year of implementation of the New Law.

7. Profit attributable to equity holders of the Company

For the three months ended 31 March 2009, the net profits attributable to equity holders of the Company were approximately RMB105,603,000 (Corresponding period in 2008: approximately RMB76,399,000).

8. Dividend

There were no dividend for the three months ended 31 March 2009 and the corresponding period in the previous year.

9. Earnings per share

For the three months ended 31 March 2009, basic earnings per share were calculated based on profits attributable to equity holders of the Company of approximately RMB105,603,000 (Corresponding period in 2008: approximately RMB76,399,000), and on the weighted average total number of 1,076,281,000 shares (Corresponding period in 2008: 995,560,000 shares).

No diluted earnings per share is presented for the three months ended 31 March 2009, as no potential ordinary shares were outstanding during the period.

10. Movement in reserves

The Group	Share capital *RMB'000*	Share premium reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(Note b)*	Foreign currency statements conversion discrepancies *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
As at 31 December 2007	99,556	618,572	111,217	(244)	498,661	1,327,762
Profit for the year	—	—	—	—	482,394	482,394
Shares issued	8,072	774,598	—	—	—	782,670
Dividend paid	—	—	—	—	(115,485)	(115,485)
Exchange differences arising on translation of foreign operation	—	—	—	(609)		(609)
As at 31 December 2008	107,628	1,393,170	111,217	(853)	865,570	2,476,732
Profit for the year	—	—	—	—	105,603	105,603
Exchange differences arising on translation of foreign operation	—	—	—	16	—	16
As at 31 March 2009	107,628	1,393,170	111,217	(837)	971,173	2,582,351

(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 (other than Weigao International Medical Company Limited and Weigao Medical (Europe) Company Limited) 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, the balance of the reserve shall not be less than 25% of the enlarged 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. The Board of Directors resolved that under the Company Law of the PRC, the statutory public welfare fund of RMB17,147,000 as at 1 January 2006 was transferred to the statutory surplus reserve.

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 2009, retained earnings distributable to shareholders was approximately RMB338,231,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

International Collaboration

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

During the period, the business collaboration of the Group with Medtronic achieved satisfactory progress.

In 2008, Medtronic became the shareholder holding 15% of the enlarged issued share capital of the Company and established the Distribution Joint Venture with the Company in distributing orthopaedic products in China. For the three months ended 31 March 2009, the attributable profit of the Distribution Joint Venture to the Group was approximately RMB6,421,000. The Distribution Joint Venture operates smoothly.

Optimisation Adjustments to Business and Product Mix

During the period, the Group continued the strategy of improving the product mix. The Group focused on the business development of blood purification products and increased the marketing and sales effort on high value-added products such as intravenous catheters, high-end infusion sets, safety auto disable syringes, and phased out the production of some low value-added products. The achievement of product mix adjustment was remarkable.

Turnover of Weigao Orthopaedic for the three months ended 31 March 2009 was decreased to approximately RMB 28,761,000 from RMB 35,781,000, representing a decrease of 19.6% compared with that of the corresponding period of the previous year due to transfer pricing adjustment made after the establishment of the Distribution Joint Venture with Medtronic.

The new production line of Weigao Blood, a subsidiary of the Group operated satisfactorily, turnover of Weigao Blood recorded approximately RMB9,921,000, representing a substantial increase of approximately 86.3% compared with the corresponding period of the previous year. As at 31 March 2009, the trial production new dialysis product has been successful.

Production and sales of drug eluting stents by 山東吉威醫療製品有限公司 (Shandong JW Medical Products Company Limited) ("JW Medical"), a 50% jointly owned entity of the Company recorded significant growth during the period. For the three months ended 31 March 2009, the attributable profit of JW Medical to the Group was approximately RMB 22,124,000, representing an increase of 63.4% compared with the corresponding period of the previous year

The Group's needle products, such as intravenous catheters, have strong growth potentials. During the period, the Group increased its efforts in the marketing and sales of needle products, driving record sales of approximately RMB 69,610,000, representing a growth of 58.9% compared with the corresponding period of last year. The Directors believe that the needle products will become an important sector for the continued development of the Group.

Market development for specialized infusion sets with dosage control device and infusion sets made of a non PVC based material, has made significant progress. Sales of the Group's infusion sets recorded an increase by 41.7% over the corresponding period of the previous year. With the keen market competition for the product of infusion sets, manufacturers with poor quality products were phased out. The Group's market position in high end infusion set was further strengthened.

During the period, the Group invested in glass tube production line for pre-filled syringes and the trial production has been successful. Pre-filled syringes are extensively used in vaccination and package injection drugs with good development prospects in the PRC. Currently, the glass tubes used for the production of pre-filled syringes in the market rely on import. With the production of the glass tubes in-house, it resolved the bottleneck for the production of pre-filled syringes and enhanced the Group's profitability. During the period, turnover of pre-filled syringes amounted to approximately RMB9,536,000, representing an increase of 70.3% over the corresponding period of the previous year.

During the period, due to the transfer pricing adjustment made after the establishment of the Distribution Joint Venture, the gross profit margin of orthopaedic products was adjusted. The percentage of turnover from high value-added products (gross profit margins of over 60%) to the total turnover of the Group was 40.7% (2008: 41.9%).

RESEARCH AND DEVELOPMENT

For the three months ended 31 March 2009, the Group obtained 5 new patents and is applying for 28 new patents. Product registration certificates for 2 new products were obtained. Research and development were completed for 27 products and application for product registration certificates 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 provides the Group with new growth drivers.

For the three months ended 31 March 2009, the Group had over 160 product registration certificates and over 150 patents, of which 11 were patents on invention.

In view of the need for the strategic adjustments to product mix, the Group continued to increase investments in the research and development in a number of areas, so as to further improve product series and expand product range. The Group continued to maintain its leading position in research and development capability in China. For the three months ended 31 March 2009, the total research and development expenses amounted to approximately RMB17,741,000 (the corresponding period of 2008: RMB11,544,000), representing 4.5% of the total turnover of the Group.

Production

For the three months ended 31 March 2009, production volume of the Group's products as compared with the corresponding period of 2008 were as follows:

		For the three months ended 31 March		
Product Type	Measurement unit	2009	2008	Increase/ (Decrease) %
Needle products	1,000 sets	**518,450**	414,440	25.1%
Syringes	1,000 sets	**142,890**	115,510	23.7%
Infusion (transfusion) sets	1,000 sets	**64,460**	55,920	15.3%
Blood sampling products	1,000 sets	**35,320**	27,800	27.1%
Pre-filled syringes	1,000 sets	**4,950**	3,630	36.4%
Transfusion consumables	1,000 sets	**2,610**	2,170	20.3%
Dental and anesthetic products	1,000 sets	**830**	720	15.3%
Orthopaedic products	1,000 sets	**545**	312	74.7%
PVC granules	Tons	**2,679**	2,455	9.1%
Others	1,000 sets	**58,340**	40,060	45.6%

During the period, the Group implemented adjustment strategies to the product mix, enhanced production of high value-added products, phased out production plans of products with low rate of returns, and enhanced contribution rate of single-type products to the Company's profits, and ultimately enhanced the overall profitability of the Company.

Sales and Marketing

The Group continued to integrate its sales channels and to adjust the product mix and the results have been remarkable.

During the year, the Group strengthened its sales management system, strengthened developing direct sales, integrated customers resources and phased out low profitability customers. For the three months ended 31 March 2009, the Group has newly secured new customers of 32 hospitals. The Group transferred a number of community medical units to be covered by distributors and some distributors of less competitiveness were being phased out or merged and become the second tier distributors, other medical units increased by 5 and corporate customers was decreased by 11. As at the date of this report, the Group has a customer base of 5,079 (including 2,923 hospitals, 413 blood stations, 655 other medical units and 1,088 trading companies).

Revenue by geographical segments

Region	Revenue by geographical segments For the three months ended 31 March 2009		For the three months ended 31 March 2008		Growth
	RMB'000	%	*RMB'000*	%	%
Eastern and Central	147,642	37.4	99,869	33.0	47.8
Northern	87,502	22.2	70,450	23.3	24.2
Northeast	54,430	13.8	46,818	15.5	16.3
Southern	42,183	10.7	37,580	12.4	12.2
Southwest	32,779	8.3	27,518	9.1	19.1
Northwest	12,148	3.1	10,658	3.5	14.0
Overseas	17,570	4.5	10,115	3.3	73.7
Total	394,254	100.0	303,008	100.0	30.1

Integration of channels has strengthened the Group's market penetration and the customer relationship with direct sales to high-end customers. It enhanced contribution rate of a single customer significantly and reduced selling expenses. The average turnover of single customer was increased by approximately 38.2% over the corresponding period of the previous year. The Group continued to enhance product penetration with high-end customers to promote revenue growth and to reduce selling expenses.

Adjustment in product mix is another important factor in enhancing the results for the periods. During the period, the Group focused on sales and marketing of high value-added products such as needle products, pre-filled syringes, high valued added infusion sets. 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 as follows:

	For the three months ended 31 March		
Product category	2009	2008	Growth
	RMB'000	*RMB'000*	%
Self-produced products			
Consumables			
– Infusion sets/transfusion sets	106,484	75,174	41.7%
– Syringes	74,367	58,084	28.0%
– Medical needles	69,610	43,813	58.9%
– Blood bags	32,240	25,271	27.6%
– Blood sampling products	11,360	8,099	40.3%
– Pre-filled syringes	9,536	5,600	70.3%
– Dental and anesthetic products	4,629	3,815	21.3%
– Other consumables	17,520	12,097	44.8%
Subtotal for consumables	325,746	231,953	40.4%
Orthopaedic products	28,761	35,781	(19.6%)
Blood purification consumables	9,921	5,326	86.3%
PVC granules	11,275	15,133	(25.5%)
Trading			
Medical equipment	13,783	12,080	14.1%
Other products	4,768	2,735	74.3%
Total	394,254	303,008	30.1%

HUMAN RESOURCES

As at 31 March 2009, the Group employed a total of 6,795 employees. Breakdown by departments is as follows:

Department	Number of employee
Production	4,869
Sales and marketing	786
Research	696
Finance and administration	228
Quality control	124
Management	64
Purchasimg	28

Save as the two employees (including the company secretary) who reside in Hong Kong, all employees of the Group reside in the PRC. For the three months ended 31 March 2009, the total amount of staff salaries, welfare and various funds amounted to approximately RMB51,512,000.

FINANCIAL REVIEW

Financial summary

For the three months ended 31 March 2009, unaudited turnover and net profit recorded by the Group were approximately RMB394,254,000 and RMB 105,603,000 respectively, representing a growth of 30.1% and 38.2% as compared with approximately RMB303,008,000 and RMB76,399,000 in the corresponding period of 2008 respectively.

The significant growth in turnover and profit was mainly due to the Group's adjustments to the business and product mix, enhancing 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 2009. As at 31 March 2009, the Group has a cash balance of approximately RMB837,341,000.

During the period, the Group repaid bank borrowings of RMB 1,716,000. As at 31 March 2009, the Group has repaid all local bank borrowing, except the long term borrowing from the International Finance Corporation. As at 31 March 2009, the total amount of borrowings payable after one year amounted to RMB136,718,000 (the corresponding period of 2008: RMB 351,180,000).

Total interest expenses of the Group for the three months ended 31 March 2009 was approximately RMB1,242,000 (the corresponding period of 2008: RMB5,845,000).

Gearing Ratio

As at 31 March 2009, the total net cash of the Group was approximately RMB 700,623,000. (The total borrowing of the Group in 2008 after deducting cash and balance balances to the total equity attributable to shareholders was 0.15). The Group has a net cash balance due to the new capital injected from Medtronic in 2008.

Foreign Exchange Risks

The Group's purchases and sales are mainly conducted in the PRC. All 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 2009, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

In 2008, the Company drew down a long term loan from the International Finance Corporation in the amount of US$20 million. In the same year, the Company issued 80,721,081 new H Shares to Medtronic at an issue price of HK$11.138. Proceeds from new issue of H Shares were converted to Renminbi.

Due to the change in exchange rate, foreign exchange loss equivalent to approximately RMB 871,000 for the three months ended 2009 was recognized.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 2009.

Material Investment and Future Material Investment Plans

The Group had no material capital commitment or any future plans of significant investments or capital assets acquisition as at 31 March 2009, and there were no material acquisition and disposal in any other subsidiary and associates during the period.

Capital Commitment

As at 31 March 2009, the capital commitment of the Group contracted but not provided for in respect of the acquisition of property, plan and equipment amounted to approximately RMB71,907,000. The amounts will be paid by the Group out of proceeds from the issue of new shares and internal resources of the Group.

Outlook

During the period, with the economic crisis continued to unfold, the increase in severity on the impact on the economy and consumer confidence was felt. There was serious and general delay in settlement of accounts from the principal customers. This posted challenge to the credit risk control of the Group. With the downturn in the economy, it slowed down the growth in products for chronic illnesses and it posted unprecedented challenge to the Group in moving the market position to high end products. Since the beginning of this year, PVC based raw material prices continued to increase, the rise in raw material cost added significant pressure in operational difficulty on conventional single use consumable products.

Despite facing various factors, the Group thrived from its product range and product line diversification. The Group focused on adjusting the product mix to increase the sales of high value added product lines, including intravenous catheter, minimal dosage and light proof infusion sets; and high margin products, including PVC based blood sampling products and safety syringes. Facing the delay in settlement from customers and the potential credit risk, the Group tightened credit control to reduce risk. The Group further promoted product mix adjustment by offering credit at a limited and manageable level on high valued added products sales. The product mix adjustment laid a strong foundation for the Group to strengthen its leading position in high valued added consumables. The Group also enhanced its effort to promote cash collection by offering a considerable discount on early settlement, though it increased the proportion of sales expenses in short term, the management considered that it would generate sustainable and healthy cash flow to the Group.

Looking ahead, the Directors expect that with the increase in awareness in healthcare, various level of governments' huge stimulus plans and gradual implementation of universal health care coverage, it will drive continuous, steady and rapid growth of the single-use medical devices in China. The Group strategically plans to penetrate the market share in middle to low end market through mergers and acquisitions. In view of the continuing change in market conditions , the achievement of product mix adjustment was remarkable. With the external factors for industry consolidation becoming favourable, the management will continue to adopt a proactive attitude in business development. In future, the Company will focus on the following aspects:

1. With the foundation of the existing engineering centers, and research and development centers, the Group plans to consolidate the domestic research resources, including research institutions, universities and hospitals through extensive collaborations; focus on high margin and high value single use consumables to substitute imported products from international medical device players. This will strengthen the Group's leading position in high end consumables market. With local market experience and sound financial position, through distribution arrangements, mergers and acquisitions and licensing arrangements to seek technologies from overseas, raising the Group's research and development capability so as to minimize the gap in the technology with players of developed countries and to strengthen the Group's leading position in high end consumables market in China through further diversifying product lines.

2. The Group will continue to adopt prudent approach. Through mergers and acquisitions, expand the capacity in conventional consumables penetrating the fastest growth middle to low end medical market in counties level in China. The Group will continue to build and maintain its leadership position in single use consumables market in China and to better serve the China market.

3. The Group will explore strategic collaboration opportunities with overseas hospital sourcing groups under the principles of mutual trust, win win situation and long term relationship. The Group aims to expand the export opportunities of its owned branded single use consumables and to participate in the international medical device industry.

4. The Group will continue to work closely with Medtronic in the area of orthopaedic, striving for Weigao Ortho and the joint venture company to become an international co-operation company so as to strive for the development of international collaboration.

5. The Group will continue to expand the production capacity of dialysers. The Group aims to become a major integrated supplier of dialyser related consumables in China.

6. The Group will continue to recruit and to provide training to dedicated employees and to retain a team of professional, talented and energetic management team to provide administrative support on industry consolidation.

7. The Group will continue to assess the breath and depth of the impact on the real economy from the financial crisis, and to assess the ways and forms of impact on different products. This will provide guidance in the Group's operational and investment strategies, turning the crisis into opportunities, and to achieve strong business growth.

By leveraging on the Group's in-depth understanding and the application of advanced technology and the continued innovation in operation management concept, the Group and its employees are confident to face new challenges.

BREAKDOWN ON THE USE OF PROCEEDS

Statement of business objectives, as set out in the announcement for the issue of H Shares in 2008 ("New Issue")

Project	Actual business progress as at 31 March 2009
1. To apply approximately RMB88,190,000 of the proceeds from the 2008 New Issue for the purchase of machinery and equipment for Weigao Orthopaedic	Actual invested amount as at 31 March 2009 was approximately RMB51,524,000
2. To apply approximately RMB70,552,000 of the proceeds from the 2008 New Issue for the purchase of machinery and equipment for blood purification products	Actual invested amount as at 31 March 2009 was approximately RMB70,552,000
3. To apply approximately RMB220,475,000 of the proceeds from the 2008 New Issue for the repayment of bank borrowing	Actual invested amount as at 31 March 2009 was approximately RMB220,475,000
4. To apply approximately RMB401,617,000 of the proceeds from the 2008 New Issue for general working capital	Actual invested amount as at 31 March 2009 was approximately RMB401,617,000

DISCLOSURE OF INTERESTS

Directors' Interests and Long Positions in Shares

As at 31 March 2009, 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 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	Types of interests	Capacity	Total number of Domestic Shares	Approximate percentage of the issued share capital of the Company
Mr. Zhang Hua Wei	Personal	Beneficial owner	8,100,000	0.75%
Mr. Miao Yan Guo	Personal	Beneficial owner	5,850,000	0.54%
Mr. Wang Yi	Personal	Beneficial owner	5,850,000	0.54%
Ms. Zhou Shu Hua	Personal	Beneficial owner	3,825,000	0.36%
Mr. Wang Zhi Fan	Personal	Beneficial owner	2,025,000	0.19%
Mr. Wu Chuan Ming	Personal	Beneficial owner	1,800,000	0.17%

In addition, Mr. Chen Lin, son of Mr. Chen Xue Li is a shareholder of the Company's 50,000 Domestic Shares, representing 0.005% of the issue share capital of the Company.

(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%

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debenture of the Company granted to any directors or their respective associates or were any such rights exercised by them; or was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, 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	Number of H Shares	Percentage of issued Domestic Shares	Percentage of total issued share capital
Weigao Holding	Beneficial owner	532,438,919	–	82.1%	49.5%
Medtronic Inc.	Beneficial owner	80,721,081	80,721,081	12.5%	15.0%

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2009.

Name of substantial shareholder	Number of shares interested	% of issued share capital
Medtronic B.V.	80,721,081(L)	18.85%
Atlantis Investment Management Limited	51,184,000(L)	11.96%
FIL Limited	33,991,172(L)	7.94%
JP Morgan Chase & Co	28,291,100(L)	6.61%
	48,000(S)	0.01%
	28,243,100(P)	6.60%
FMR LLC	21,534,000(L)	5.03%

Note: L- Long Position, S- Short Position, P- Lending Pool

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") 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. 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 2009 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 31 March 2009, 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 2009, 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 noncompliance 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, 11 May 2009

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, Mrs. Zhou Shu Hua, Mr. Jean-Luc Butel and Mr. Li Bing Yung 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.