WEGO威高

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 : 1066)

2010 Interim Report

* For identification purposes only

SUMMARY

For the six months ended 30 June 2010 (the "Period"), the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB1,137,634,000, representing an increase of approximately 30.1% over approximately RMB874,108,000 for the same period last year.

Unaudited net profit attributable to the shareholders for the Period was approximately RMB335,525,000, representing an increase of approximately 30.2% from approximately RMB257,635,000 for the same period last year.

During the Period, the Group continued the strategy in improving product mix and focusing on developing the blood purification business, increasing the sales and marketing effort on high valued-added products such as intravenous catheters, high-end infusion sets, pre-filled syringes. The result was remarkable.

During the Period, (1) growth momentum continued for the turnover of single use consumables and reached approximately RMB923,889,000, representing an increase of 27.7% compared with the same period last year; (2) turnover of orthopaedic business was approximately RMB77,243,000, representing a growth of 39.1% compared with the same period last year. The Distribution Joint Venture with Medtronic, Inc. ("Medtronic") in orthopaedic product was running well and net profit attributable to the Group was approximately RMB22,787,000 for the Period, representing an increase of 140.9% compared with the same period last year; (3) turnover of blood purification business was approximately RMB55,598,000, representing an increase of 112.6% over the same period last year; and (4) attributable profit of the stent business to the Group was approximately RMB74,891,000, representing an increase of 61.1% compared with the same period last year.

The Company plans to relocate to the new production plant which will be constructed in stages. During the period between the construction of the new production plant and the pending sale of the existing plant, it is expected that significant capital will be required. The Directors believe that the proceeds from the disposal of the existing production plant will cover the construction cost of the new plant and the relocation expenses. In the meantime, in order to conserve cash for the construction of the new plant, the Board of Directors (the "Board") does not recommend the distribution of an interim dividend for the six months ended 30 June 2010. However, the Board has proposed to distribute one bonus share for every share held.

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 2010, together with the comparative figures for the same periods in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
	Notes	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	*3*	1,137,634	874,108	624,609	479,854
Cost of sales		(537,992)	(444,308)	(284,978)	(239,582)
Gross profit		599,642	429,800	339,631	240,272
Other income		45,133	31,454	21,034	15,033
Distribution costs		(238,350)	(150,289)	(125,818)	(75,985)
Administration expenses		(130,026)	(81,779)	(69,226)	(39,141)
Finance costs	*5*	(2,497)	(2,527)	(1,207)	(1,285)
Share of profit of a jointly controlled entity		74,891	46,495	39,976	24,371
Share of profit of an associate		22,787	9,459	12,465	3,038
Profit before taxation	*6*	371,580	282,613	216,855	166,303
Income tax expense	*7*	(35,361)	(26,872)	(21,834)	(15,180)
Profit for the year		336,219	255,741	195,021	151,123
Other comprehensive income					
Exchange difference on translation of foreign operations		541	128	493	133
Total comprehensive income for the year		336,760	255,869	195,514	151,256

	Notes	Unaudited For the six months ended 30 June 2010 RMB'000	2009 RMB'000	Unaudited For the three months ended 30 June 2010 RMB'000	2009 RMB'000
Profit for the year attributable to:					
Equity holders of the Company	8	335,525	257,635	194,516	152,032
Minority interests		694	(1,894)	505	(909)
		336,219	255,741	195,021	151,123
Total comprehensive income attributable to:					
Equity holders of the Company		336,066	257,763	195,009	152,165
Minority interests		694	(1,894)	505	(909)
		336,760	255,869	195,514	151,256
Dividends proposed	9	–	77,492	–	77,492
Earnings per share (Basic)	10	RMB0.312	RMB0.239	RMB0.181	RMB0.141

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2010 (Unaudited) RMB'000	As at 31 December 2009 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	*11*	1,292,303	1,166,751
Investment properties		15,201	15,497
Prepaid lease payments for land use rights	*12*	229,588	232,521
Intangible assets		22,405	23,963
Interest in a jointly controlled entity	*13*	315,280	240,389
Interest in an associate	*14*	92,765	65,268
Goodwill		202,900	202,900
Deferred tax assets		10,125	9,887
		2,180,567	1,957,176
Current assets			
Inventories	*15*	363,133	319,002
Trade and other receivables	*16*	1,009,484	852,192
Pledged bank deposits	*17*	140,572	100,258
Bank balances and cash	*18*	564,890	723,167
		2,078,079	1,994,619
Current liabilities			
Trade and other payables	*19*	909,107	771,565
Bank and other borrowings – repayable within one year	*20*	27,251	37,415
Tax payable		23,025	56,363
		959,383	865,343
Net current assets		1,118,696	1,129,276
		3,299,263	3,086,452

	Notes	As at 30 June 2010 (Unaudited) RMB'000	As at 31 December 2009 (Audited) RMB'000
Capital and reserves			
Share capital	*21*	107,628	107,628
Reserves	*22*	3,055,111	2,832,055
Equity attributable to equity holders of the Company		3,162,739	2,939,683
Minority interests		4,877	3,183
Total equity		3,167,616	2,942,866
Non-current liabilities			
Bank and other borrowings			
– repayable after one year	*20*	101,864	113,803
Other long-term payables		29,783	29,783
		131,647	143,586
		3,299,263	3,086,452

CONDENSED CONSOLIDATED CASH-FLOW STATEMENT

	Unaudited For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Net cash inflow generated from operating activities	171,781	181,159
Net cash (outflow) used in investing activities	(193,718)	(203,936)
Net cash outflow before financing activities	(21,937)	(22,777)
Net cash (outflow) from financing activities	(136,610)	(97,879)
Net (decrease)/increase in cash and cash equivalents	(158,547)	(120,656)
Bank balances and cash as at beginning of the period	723,167	830,419
Effect of foreign exchange rate changes, net	541	128
Bank balances and cash as at end of the period	565,161	709,891

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Unaudited For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Balance as at 1 January	2,939,683	2,476,732
Net profit for the period	335,525	257,635
Dividend paid	(113,010)	(93,636)
Exchange profit arising from foreign currency transactions	541	128
Balance as at 30 June	3,162,739	2,640,859

Notes:

1. General

The Company was incorporated as a joint stock company with limited liability in Shandong Province, 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 was listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 February 2004 and had withdrawn its listing status on the GEM and listed on the Main Board of the Stock Exchange on 29 July 2010.

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

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

2. Basis of preparation and accounting policies

These unaudited condensed consolidated statement of comprehensive income has 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 Listing Rules of the Stock Exchange. The accounts are prepared under the historical cost convention.

The accounting policies adopted and methods of computation used in the preparation of these consolidated financial information are consistent with those used in the financial statements for the year ended 31 December 2009.

The Group has applied the new and amended Hong Kong Financial Reporting Standards and HKAS (the "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning after 1 January 2008. The adoption 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 previous 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 2010 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 2009.

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. For management purposes, the Group is currently organized into four operating divisions: single use medical products, orthopaedic products, blood purification consumables and other products. These divisions are the basis on which the Group reports its primary segment information.

The principal activities are as follows:

Single use medical consumables	–	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
Blood purification consumables	–	production and sale of blood purification consumables
Other products	–	production and sale of other products such as medical equipment and medical PVC granules

The segment information and results of those businesses are as follows:

2010

	Single use medical products RMB'000	Orthopaedic products RMB'000	Blood products RMB'000	Eliminations RMB'000	Total RMB'000
Revenue					
External sales	976,812	77,243	83,579	–	1,137,634
Inter-segment sales	3,084	–	2,505	(5,589)	–
Total	979,896	77,243	86,084	(5,589)	1,137,634
Segment profit (loss)	209,276	25,096	2,604	–	236,976
Unallocated expenses					(136)
Unallocated other income, gain and losses					37,062
Share of profit of a jointly controlled entity					74,891
Share of profit of an associate					22,787
Profit before tax					371,580

2009

	Single use medical products RMB'000	Orthopaedic products RMB'000	Blood products RMB'000	Eliminations RMB'000	Total RMB'000
Revenue					
External sales	765,738	55,511	52,859	–	874,108
Inter-segment sales	1,057	–	958	(2,015)	–
Total	766,795	55,511	53,817	(2,015)	874,108
Segment profit (loss)	197,559	9,623	(8,404)	–	198,778
Unallocated expenses					(310)
Unallocated other income, gain and losses					28,191
Share of profit of a jointly controlled entity					46,495
Share of profit of an associate					9,459
Profit before tax					282,613

5. Finance costs

Finance costs for the three months and six months ended 30 June 2010 were approximately RMB1,207,000 and RMB2,497,000 respectively (same period in 2009: approximately RMB1,285,000 and RMB2,527,000), which mainly included interest expenses on bank and other borrowings.

6. Profit before taxation

Operating profit has been arrived at after charging (crediting) the followings:

	Unaudited For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Operating profit has been arrived at after charging (crediting) the followings:		
Provision for bad debts	7,429	3,549
Amortization of intangible assets (included in administration expenses)	1,557	1,557
Depreciation	43,736	29,108
Depreciation of investment properties	296	276
Prepaid lease payments charged to income statement	2,617	1,754
Rental payments in respect of premises under operating leases	2,565	2,038
Research and development expenditure	53,348	38,005
Cost of inventory recognized as expenses	537,992	444,308
Staff costs, including directors' remuneration		
Retirement benefits scheme contribution	28,753	24,087
Wages and salaries	119,129	88,309
Total staff costs	147,882	112,396
(Gain)/loss from foreign exchange, net	(728)	1,022
(Gain) on disposal of property, plant and equipment	(401)	(11)
Interest income	(2,483)	(3,060)
Rental income from investment properties	(1,128)	(1,128)
Rebate of value-added tax	(16,966)	(16,788)
Income generated from investing in an associate	(17,710)	(11,069)

Note: 威海潔瑞醫用製品有限公司(Weihai Jierui Medical Products Company Limited) ("Jierui Subsidiary") was recognized as a "Social Welfare Entity", and under the "payment then refund" principle, Weihai Municipal Government has granted Jeirui Subsidiary the exemption of paying value-added tax with effect from 1 May 1999. Pursuant to Cai Shui Guo Fa 2007 No. 92 issued by the State Council, with effect from 1 July 2007, the amount of exempted value-added tax granted to Jierui Subsidiary is determined by taking into account the number of employees with disabilities. The refund limit for every employee with disability was based on six times of the local lowest standard wages approved by Weihai Municipal Government, and the annual refund of each employee with disability shall be subject to a maximum of RMB35,000.

7. Taxation

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

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". Under the New Law and the Implementation Regulations, the tax rate for certain subsidiaries changed from 33% to 25% from 1 January 2008.

In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprise shall be subject to income tax at a rate of 15%.

On 5 December 2008, the Company, Weihai Jierui Medical Products Company Limited ("Jierui Subsidiary"), Shandong Weigao Orthopaedic Device Company Limited ("Weigao Ortho") and Weihai Weigao Blood Purified Product Company Limited ("Weigao Blood") were recognised as Shandong Province New and High Technical Enterprises (山東省高新技術企業). Therefore, the Company, Jierui Subsidiary, Weigao Ortho and Weigao Blood are subject to income tax at a tax rate of 15%.

Commencing from 1 July 2004, the Company was recognized as a "Foreign Invested Enterprise" and was 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 and the tax relief was expired on 31 December 2008. Starting from the year ended 31 December 2009, the Company was subject to income tax at a tax rate of 15%.

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 deducted from the PRC income tax. Jierui Subsidiary is subject to income tax at a tax rate of 15%. The tax charge provided for the period ended 30 June 2010 was made after taking these tax incentives into account.

Weigao Ortho is a sino-foreign joint venture 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 Ortho commenced its first profit-making year in 2006. The tax charge provided for the period ended 30 June 2010 was made after taking these tax incentives into account.

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

8. Profit attributable to equity holders of the Company

For the three months and six months ended 30 June 2010, net profit attributable to equity holders of the Group were approximately RMB194,516,000 and RMB335,525,000 (same periods in 2009: RMB152,032,000 and RMB257,635,000) respectively.

9. Dividend

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2010 (same period in 2009: RMB0.072). However, the Board has proposed to distribute one bonus share for every share held.

10. Earnings per share

For the three months and six months ended 30 June 2010, basic earnings per share were calculated based on profits attributable to shareholders of approximately RMB194,516,000 and RMB335,525,000 (same periods in 2009: RMB152,032,000 and RMB257,635,000) respectively, and on the weighted average total number of 1,076,281,081 shares and 1,076,281,081 shares (same periods in 2009: 1,076,281,081 shares and 1,076,281,081 shares) respectively.

No diluted earnings per share is presented for the three months and six months ended 30 June 2010, as there were no dilutive potential shares for the both periods.

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
Cost							
At 1 January 2009	227,292	441,612	361,030	25,649	11,404	51,525	1,118,512
Additions	268,546	6,509	25,192	11,625	–	14,072	325,944
Transfer	(232,937)	59,327	170,455	179	–	2,976	–
Disposal	(2,481)	(219)	(10,559)	(1,818)	–	(1,167)	(16,244)
At 31 December 2009	260,420	507,229	546,118	35,635	11,404	67,406	1,428,212
Additions	152,843	246	5,424	2,744	3,053	5,307	169,617
Transfer	(10,939)	–	9,384	905	–	650	–
Disposal	–	–	(452)	(990)	(224)	(176)	(1,842)
At 30 June 2010	402,324	507,475	560,474	38,294	14,233	73,187	1,595,987
Depreciation							
At 1 January 2009	–	52,022	92,064	10,671	10,813	30,467	196,037
Provided for the year	–	12,354	41,016	4,793	234	12,655	71,052
Eliminated on disposals	–	(26)	(3,780)	(846)	–	(976)	(5,628)
At 31 December 2009	–	64,350	129,300	14,618	11,047	42,146	261,461
Provided for the year	–	7,720	28,295	3,028	2,064	2,629	43,736
Eliminated on disposals	–	–	(407)	(776)	(192)	(138)	(1,513)
At 30 June 2010	–	72,070	157,188	16,870	12,919	44,637	303,684
Net book values							
At 30 June 2010	402,324	435,405	403,286	21,424	1,314	28,550	1,292,303
At 31 December 2009	260,420	442,879	416,818	21,017	357	25,260	1,166,751

12. Prepaid lease payments

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
The Group's prepaid lease payments comprise:		
Leasehold land in PRC		
Medium-term lease	234,821	237,437
Analysed for reporting purposes as:		
Current portion (included in trade and other receivables)	5,233	4,916
Non-current portion	229,588	232,521
	234,821	237,437

13. Interest in a jointly controlled entity

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Unlisted equity investment, at cost	13,000	13,000
Share of post-acquisition profit and other comprehensive income	302,280	227,389
	315,280	240,389

Name	Form of business structure	Place of incorporation or registration/ operation	Proportion of nominal value of registered capital held by the Group 2010	2009	Principal activities
JW Medical Systems Limited	Incorporated	PRC	50%	50%	Production and sales of medical products

14. Interests in an associate

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Cost of unlisted investment in an associate, at cost	–	–
Realised gain arising from additional capital contribution by substantial shareholders of an associate	17,710	22,137
Realised gain arising from establishing of an associate	36,895	14,758
Share of post-acquisition profit and other comprehensive income (net of dividends received)	48,503	37,780
Unrealised profit on sales to an associate	(10,343)	(9,407)
	92,765	65,268

Name	Form of business structure	Place of incorporation or registration/ operation	Proportion of nominal value of registered capital held by the Group 2010	2009	Principal activities
Medtronic Weigao Orthopaedic Device Company Limited	Incorporated	PRC	49%	49%	Sale and distribution of orthopaedic medical device products

15. Inventories

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
At cost:		
Raw materials	138,251	144,940
Finished goods	224,882	174,062
	363,133	319,002

16. Trade and other receivables

	The Group	
	As at 30 June 2010 (Unaudited) RMB'000	As at 31 December 2009 (Audited) RMB'000
0 to 90 days	510,159	458,531
91 to 180 days	196,636	142,176
181 to 365 days	87,911	68,238
Over 365 days	53,273	48,595
Trade receivables	847,979	717,540
Bills receivables	65,298	63,063
Other receivables, deposits and prepayments	96,207	71,589
	1,009,484	852,192

17. Pledged bank deposits

The amounts represented deposits pledged to banks to secure banking facilities granted to the Group. The amounts had been pledged to secure short-term bank loans and banking facilities and are therefore classified as current assets. The deposits carry interest rates ranged between 0.36% and 1.98% (2009: ranged between 0.36% to 1.98%) per annum.

18. 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 fixed interest rate for those deposits was between 0.36% and 1.15% (2009: 0.36% to 1.15%) per annum. The fair values of bank deposits as at 30 June 2010 approximated to their corresponding carrying amounts.

19. Trade and other payables

	The Group	
	As at 30 June 2010 (Unaudited) RMB'000	As at 31 December 2009 (Audited) RMB'000
0 to 90 days	153,126	127,115
91 to 180 days	29,717	58,136
181 to 365 days	6,889	36,491
Over 365 days	6,170	9,101
Trade payables	195,902	230,843
Bills payables	345,963	251,215
Consideration payable for the acquisition of additional interest in a subsidiary	81,029	81,029
Other payables and accrued expenses	286,213	208,478
	909,107	771,565

20. Bank borrowings

	The Group	
	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Secured bank borrowings	124,500	151,218
Unsecured bank borrowings	–	–
	124,500	151,218
Original maturity date of the above bank borrowings and other loans are as follows:		
Current or less than one year	27,251	37,415
Over one year but less than two years	22,636	22,761
Over two years but less than 5 years	67,910	68,282
Over five years	11,318	22,760
	129,115	151,218
Less: Loan stated as liabilities and to be repaid within one year	(27,251)	(37,415)
Amount to be repaid after one year	101,864	113,803

21. Share capital

	Nominal value of each share RMB	Number of non-listed shares	Number of H shares	Total number of shares	Value RMB'000
At as 1 January 2009	0.1	648,160,000	428,121,081	1,076,281,081	107,628
Issue of H Shares	0.1	–	–	–	–
As at 31 December 2009 and 30 June 2010	**0.1**	**648,160,000**	**428,121,081**	**1,076,281,081**	**107,628**

22. Movements in reserves

The Group	Share capital RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 *(Note b)*	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
As at 1 January 2009	107,628	1,393,170	111,217	(853)	865,570	2,476,732	8,191	2,484,923
Profit for the year and total revenue recognised	–	–	–	–	633,864	633,864	(686)	633,178
Dividend paid	–	–	–	–	(171,129)	(171,129)	–	(171,129)
Exchange gains/loss arising from foreign currency transaction	–	–	–	216	–	216	–	216
Disposal of a subsidiary	–	–	–	–	–	–	(4,822)	(4,822)
Capital injection from minority shareholder	–	–	–	–	–	–	500	500
As at 31 December 2009	107,628	1,393,170	111,217	(637)	1,328,305	2,939,683	3,183	2,942,866
Profit for the year and total revenue recognised	–	–	–	–	335,525	335,525	694	336,219
Capital injection from minority shareholder	–	–	–	–	–	–	1,000	1,000
Dividend paid	–	–	–	–	(113,010)	(113,010)	–	(113,010)
Exchange gains/loss arising from foreign currency transaction	–	–	–	541	–	541	–	541
As at 30 June 2010	107,628	1,393,170	111,217	(96)	1,550,820	3,162,739	4,877	3,167,616

Notes:

(a) Bases for appropriation to reserves

Appropriation to statutory surplus reserve and statutory public welfare fund have been calculated based on the net profits in the financial statement prepared under the Generally Accepted Accounting Principles of the PRC ("PRC GAAP").

(b) Statutory surplus reserve

The Articles of Association of the companies under the Group (other than Weigao International) requires that 10% of the profit after taxation for each year 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 capitalization, 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 capitalization, it should not result in the balance of the capital to be less than 25% of the registered capital.

(c) Statutory public welfare fund

According to the Company Law 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. Pursuant to the resolution of the Board of the Company, 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.

According to the laws and regulations of the PRC, distributable profit of the Company was determined at the lower of such amount calculated based on the accounting principles and regulations of the PRC or the generally accepted accounting principles of Hong Kong. As at 30 June 2010, retained earnings distributable to shareholders was approximately RMB528,326,000.

International Collaboration

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

During the Period, the operation of the Distribution Joint Venture for orthopaedic products between the Company and Medtronic is gradually moving on track. Net profit attributable to the Group was RMB22,787,000, representing an increase of 140.9% over the same period last year.

During the Period, Weigao Blood, a subsidiary of the Company, established a strategic business alliance with Nikkiso Co., Ltd. in haemodialysis business. Weigao Blood contributed US$5,610,000 and holds 51% equity interest in the joint venture company. The registered capital of the joint venture company is US$11,000,000. The joint venture company will produce hemodialysis machines in China and provide after-sales services. Weigao Blood will distribute the hemodialysis machines produced by the joint venture company in China. The alliance combines the complementary strengths of the two partners. It will further strengthen the Group's competitive position in blood purification segment and lays a solid foundation for the Group's business expansion in the blood purification market in China. Up to the date of this report, the joint venture company has obtained the approval from the PRC government authorities and has been incorporated.

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 and pre-filled syringes. The result was remarkable.

For the six months ended 30 June 2010, remarkable results were achieved following the product mix adjustment on the principal consumable products. The Group recorded a turnover of RMB923,889,000, representing an increase of 27.7% when compared with the same period last year.

The Group recorded continuous growth in sales of needle products following a downward adjustment in price and had completely counteracted the effect of decrease in price. During the Period, the Group recorded a turnover of RMB189,186,000, representing an increase of 20.7% when compared with the same period last year. The Directors consider that with continuous launching of needle products to the market, the needle products will continue to be an important segment for the long term development of the Company.

During the Period, the market development of specialized infusion set with dosage control device and the Company's invented infusion sets made of non PVC based materials had made significant progress. It drove the turnover of infusion sets to RMB335,459,000, representing an increase of 40.7% when compared with the same period last year. With keen market competition for infusion sets, manufacturers with poor quality products would be phased out. The Group's favourable position in the high-end infusion set market was further strengthened.

During the Period, the Group recorded a turnover for pre-filled syringes of approximately RMB48,989,000, representing an increase of 48.0% over the same period last year. Pre-filled syringes are widely used in vaccination and packaged injectable drugs with good market potential in China.

For the six months ended 30 June 2010, Weigao Ortho recorded a turnover of approximately RMB77,243,000, representing an increase of 39.1% when compared with approximately RMB55,511,000 for the same period last year.

For the six months ended 30 June 2010, the new production line of Weigao Blood, a subsidiary of the Company, operated very well. Sales of the products recorded rapid growth since launched to the market. During the Period, Weigao Blood recorded a turnover of RMB55,598,000, representing a significant increase of 112.6% when compared with the same period last year.

For the six months ended 30 June 2010, production and sales of drug eluting stents by 山東吉威醫療製品有限公司 (JW Medical Systems Limited) ("JW Medical"), which is 50% held by the Company, were operated very well. During the Period, it contributed a profit of RMB74,891,000 to the Group, representing an increase of 61.1% when compared with the same period last year.

Benefiting from the aforesaid measures in adjusting the product mix, the percentage of turnover from high value-added products (products with gross profit margins of over 60%) to the total turnover of the Group during the Period increased to 43.0% (2009: 40.9%). The achievement of product mix adjustment was remarkable.

RESEARCH AND DEVELOPMENT

For the six months ended 30 June 2010, the Group obtained 2 new patents and is applying for 21 new patents. Product registration certificates for 8 new products were obtained. Research and development were completed for 32 products for which 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.

As of 30 June 2010, the Group had over 170 product registration certificates and over 100 patents, of which 15 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 expanding existing products ranges and new medical devices, 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 six months ended 30 June 2010, total research and development expenses amounted to approximately RMB53,348,000 (2009: RMB38,005,000), representing 4.7% (2009: 4.3%) of the total turnover of the Group.

Production

For the six months ended 30 June 2010, production volume of the Group's products as compared with the corresponding period in 2009 is as follows:

		For the six months ended 30 June		
Product Type	Measurement unit	2010	2009	Increase/ (Decrease) %
Needles	1,000 sets	**1,399,742**	1,072,347	30.5%
Syringes	1,000 sets	**375,237**	302,277	24.1%
Infusion sets	1,000 sets	**179,690**	154,911	16.0%
Blood sampling products *(note 1)*	1,000 sets	**54,660**	75,260	(27.4%)
Pre-filled syringes	1,000 sets	**15,774**	12,590	25.3%
Blood bags	1,000 sets	**10,249**	9,591	6.9%
Blood purification consumables	Tons	**288**	153	88.2%
Orthopaedic products *(note 2)*	1,000 sets	**820**	1,290	(36.5%)
PVC granules	Tons	**6,419**	5,945	8.0%
Others	1,000 sets	**104,106**	87,506	19.0%

Note 1: The decrease in production volume of blood sampling products was due to the decrease in sales volume of the Company's export in blood sampling products;

Note 2: The decrease in production volume of orthopaedic products was due to the reduction of inventory level by Weigao Ortho and the change in production mix of orthopaedic products.

During the Period, the Group implemented strategy on product mix adjustment by increasing the proportion of high value added products while decreasing the production plan of low value added products with low rate of returns. This has enhanced the contribution rate for each type of products and raised the overall profitability of the Company.

Marketing and Sales

The Group persisted to implement the strategy in integrating its sales channels. It focused on product mix adjustment and improved the efficiency of credit resources extended on account receivables. The results have been remarkable.

During the Period, the Group consolidated its sales management system, strengthened developing direct sales, integrated customer resources and phased out low profitability customers. For the six months ended 30 June 2010, the Group has secured new customers of 14 hospitals. As the Group had transferred a number of small size medical units to be covered by its distributors. Those distributors of less competitiveness were being phased out or merged and became the second tier distributors. The number of other medical units increased by 20 and decreased by 77 corporate customers over the same period last year. As at the date of this report, the Group has a customer base of 5,097 (including 2,934 hospitals, 413 blood stations, 661 other medical units and 1,089 trading companies).

Comparison of the sales by geographical areas over the same period last year is set out as follows:

TURNOVER BY GEOGRAPHICAL SEGMENTS

Region	2010		2009		Growth
	RMB'000	%	RMB'000	%	%
Eastern and Central	429,000	37.7	318,922	36.4	34.5
Northern	286,557	25.2	214,902	24.6	33.3
Northeast	160,448	14.1	121,333	13.9	32.2
Southern	103,659	9.1	88,942	10.2	16.5
Southwest	81,810	7.2	65,724	7.5	24.5
Northwest	31,631	2.8	27,573	3.2	14.7
Overseas	44,529	3.9	36,712	4.2	21.3
Total	1,137,634	100.0	874,108	100.0	30.1

The integration of sales channels has strengthened the Group's market penetration in and influence over direct sales to high-end customers. It enhanced sales contribution and reduced selling expenses per customer significantly. Average sales per customer were increased by approximately 28.7% over the same period last year. Continued driving higher product penetration to high-end customers is an important way to generate revenue growth.

Adjustment in product mix is another important factor in enhancing the results for the Period. 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 increased the proportion of sales generated from high value added products. Comparison of the sale of the principal products with that of the previous period is set as follows:

	For the six months ended 30 June		
			Increase/
Product category	2010	2009	(Decrease)
	RMB'000	RMB'000	%
Self-produced products consumables			
– Infusion sets	335,459	238,499	40.7%
– Medical needles	189,186	156,700	20.7%
– Syringes	186,728	154,788	20.6%
– Blood bags	74,152	65,666	12.9%
– Pre-filled syringes	48,989	33,091	48.0%
– Blood sampling products	20,858	22,993	(9.3%)
– Other consumables	68,517	51,685	32.6%
Subtotal for consumables	923,889	723,422	27.7%
Orthopaedic products	77,243	55,511	39.1%
Blood purification consumables	55,598	26,151	112.6%
PVC granules	27,280	24,318	12.2%
Trading-Medical equipment	30,486	27,666	10.2%
Other products	23,138	17,040	35.8%
Total	1,137,634	874,108	30.1%

HUMAN RESOURCES

As at 30 June 2010, the Group employed a total of 7,587 employees. The breakdown by departments is as follows:

Department	Number of employees
Production	5,378
Sales and marketing	1,016
Research and development	730
Finance and administration	242
Quality control	124
Management	69
Purchasing	28

Save for the two employees (including the company secretary) who reside in Hong Kong, all employees of the Group are resided in China. For the six months ended 30 June 2010, the total cost of salaries, welfare and various funds of the Group amounted to approximately RMB147,882,000.

FINANCIAL REVIEW

Financial summary

For the six months ended 30 June 2010, unaudited turnover and net profit recorded by the Group were approximately RMB1,137,634,000 and RMB335,525,000 respectively, representing a growth of 30.1% and 30.2% as compared with approximately RMB874,108,000 and RMB257,635,000 in the corresponding period of 2009 respectively.

The significant growth in turnover and profit was mainly due to the adjustments to product mix, raising operation efficiency and development of new product lines.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position. As at 30 June 2010, the Group's total cash amounted to approximately RMB564,890,000.

During the Period, the Group repaid bank loans amounting to RMB26,718,000. As at 30 June 2010, total borrowings from IFC and the total amount of bank and other borrowings repayable within one year amounted to approximately RMB101,864,000 and approximately RMB27,251,000 respectively.

During the Period, total interest expense of the Group was approximately RMB2,497,000.

GEARING RATIO

As at 30 June 2010, the total net cash of the Group amounted to RMB435,775,000 (2009: approximately RMB573,253,000).

FOREIGN EXCHANGE RISKS

The Group's purchases and sales are mainly conducted in China. All assets, liabilities and transactions are denominated in RMB. During the Period, the Group has not encountered any material difficulty due to foreign exchange fluctuation nor shortage of operating funds. For the six months ended 30 June 2010, the Group had no significant exposure to foreign exchange fluctuation and hedging for such risk.

Due to the change in exchange rates, foreign exchange gain equivalent to approximately RMB728,000 for the six months ended 30 June 2010 was recognised.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as of 30 June 2010.

Future Plans for Material Investments or Capital Assets

1. According to the city planning of Weihai City, the industrial zone of the Group's existing consumable production plant will be re-zoned as commercial and residential use within 5 years. Hence, during the period, the Group made an actual investment of approximately RMB153,089,000 on plant construction for the re-location of all of the consumables production plants in the coming 5 years. Based on the auction prices of commercial lands in Weihai, it is estimated that the proceeds from the auction of the current properties will be sufficient to cover the cost of re-location and the new plant construction.

2. Weigao Blood, a subsidiary of the Group entered into a framework agreement and a joint venture agreement with Nikkiso to establish a strategic business alliance in haemodialysis business. The registered capital of the joint venture company is US$11,000,000. Weigao Blood will contribute US$5,610,000 (equivalent to approximately RMB38,296,000) and will hold 51% equity interests in the joint venture company.

3. In light of the strong market potential of pre-filled syringes, during the Period, the Group has started to work on acquiring a second pre-filled syringe production line and total budgeted investments for which amounted to RMB70,000,000.

4. In view of the demand for blood purification consumables, Weigao Blood has started the negotiation and commenced the initial preparation work of investing in second production line. The expected total investment costs will not exceed RMB100,000,000.

Save for the above material investment and investment plans, the Group had no material capital commitments or any future plans of significant investments or capital assets acquisition as of 30 June 2010, and there was no material acquisition and disposal in any other subsidiary and associate during the Period.

Capital Commitment

As at 30 June 2010, the capital commitment of the Group contracted but not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB248,710,000. They will be financed by the internal resources of the Group.

Outlook

During the Period under review, the Group faced various challenges in the areas of operation and development. Firstly, the delays in settlement from customers continue. The pressure on the Group remains high for controlling long term credit risk especially in the second quarter. With the tightening up of monetary policy, payment collection has deteriorated. The Group promptly adjusted its credit policy, lowered the sales of consumables with thin profit margin, leaving more credit lines to support the subsequent expansion of products with high profit margin. The Group will adjust its sales strategy taking into account the development in credit. Secondly, prices of plastic based raw materials decreased to some extent as a result of the decrease in price of crude oil in the second quarter. However, it still increased by more than 20% as compared to the corresponding period in prior year. The pressure of the increase in price of raw materials still exists. Thirdly, with the launching of the growth enterprise market of the stock exchanges in China, the valuation of entire PRC healthcare industry surged significantly. It poses strong challenge to the Group in implementing its mergers and acquisitions strategy and added pressure on competition among various product segments.

While facing various unfavorable factors, the Group will fully leverage from its advantageous position in wide product ranges and diversified product lines and actively adjust its product mix to continuously consolidate its market position:

1. Increase the sales in high margin products, including safety intravenous catheters, high end infusion sets of minimal dosage, light proof and non PVC based infusion sets, plastic based blood sampling products and safety syringes, thereby transferring the pressure on cost increase and improving profitability.

2. Continue to focus on domestic market. With stable development of domestic market to backup the long term process of developing and expanding overseas market.

3. Continue to consolidate customer resources, centralize credit approval and allocation, improve the efficiency of added credit granted by promoting the sales of high value-added and high profit margin products, thereby offsetting the pressure from accounts receivables collection and transferring cost increase.

4. Under the current demand on high valuation, the Group will not actively pursue the mergers and acquisitions strategy. The Group will place more resources in organizing training programs to cover the middle and low-end markets, consolidate the resources of distributors to provide channel support, and by stages extend the market coverage to China's fastest growing middle and low-end sectors.

5. Continue to drive international cooperation, seeking international partners to enhance technology standard and improve international market share. The Group strives for collaboration and win-win strategy to achieve strategically mapping out international market and wider coverage of domestic market.

6. Capitalize on the Group's research and development strengths, continue to increase the investments in technological improvement, and increase automation with an objective of assimilating the rising labour cost in the long run.

With the launching of more upgraded products and new product series, the management believes that the Group will continue to consolidate its leading position in the PRC market.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend.

BONUS ISSUE OF SHARES

The Board proposes the bonus issue to its shareholders of H Shares and Non-listed Shares on the basis of one (1) bonus H Share for every one (1) H Share and one (1) bonus Non-listed Share for every one (1) Non-listed Share in issue on the record date. Details could be referred to the separate announcement dated 10 August 2010.

The Company plans to relocate to the new production plant which will be constructed in stages. During the period between the construction of the new production plant and the pending sale of the existing plant, it is expected that significant capital will be required. The Board decided to suspend the distribution of cash dividend for the Period and to distribute bonus shares to shareholders to conserve cash for the construction of the new plant. The Directors believe that the proceeds from the disposal of the existing production plant will cover the construction cost on the new plant and the relocation expenses.

DISCLOSURE OF INTERESTS

Directors' Interests and Long Positions in Shares

As at 30 June 2010, the interests of Directors and their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

Name of Director	Types of interests	Capacity	Total number of non-listed 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%
Mrs. 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, the chairman, is a shareholder of the Company's 50,000 non-listed shares, representing 0.005% of the issued 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 capital contributed	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, underlying shares and debentures of the Company or any of its associated corporations as at the date of this report.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance 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 domestic shares of the issued share capital of the Company.

Name of Shareholder	Capacity	Number of non-listed shares	Number of H shares	Approximate percentage of the Company's non-listed shares	Approximate percentage of the Company's total issued share capital
Weigao Holding Limited	Beneficial owner	532,438,919	–	82.10%	49.50%
Medtronic Holding Switzerland GmbH	Beneficial owner	80,721,081	80,721,081	12.50%	15.00%

Other than disclosed above, the following shareholders have disclosed their relevant interests or short positions in the issued share capital of the Company:

Names of Substantial Shareholders	Number of H shares interested	Percentage of issued H share capital
Medtronic Holding Switzerland GmbH	80,721,081(L)	18.9(L)
Atlantis Investment Management Limited	47,306,000(L)	11.0(L)
JPMorgan Chase & Co.	47,136,451(L)	11.0(L)
	46,788,457(P)	10.9(P)
FMR LLC	25,338,000(L)	5.9(L)

* *Note: (L) – Long Position, (P) – Lending Pool*

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2010, the largest supplier of the Group and the next four largest suppliers accounted for approximately 6.0% and 17.2% respectively of the Group's total purchases.

Aggregate sales attributable to the Group's five largest customers were less than 30% 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the commencement of dealings in the H shares of the Company on 27 February 2004, the Company placed 52,900,000 new H Shares of the Company on 30 November 2005 and 30,000,000 new H shares of the Company on 19 April 2007 and on 18 December 2008, the Company issued 80,721,081 new H Shares to Medtronic Holding Switzerland GmbH. Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any listed shares of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has complied with the code provision of the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010, except for the deviation that Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment as subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company is fair and reasonable.

AUDIT COMMITTEE

The Company has set up an Audit Committee (the "Committee") on 1 September 2002 with written terms of reference in compliance with the 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. Li Jia Miao and Mr Lo Wai Hung, being independent non-executive Directors and Mrs. Zhou Shu Hua, a non-executive Director. Mr. Lo Wai Hung is the chairman of the Committee.

The Company's financial statements for the six months ended 30 June 2010 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 in full.

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.

Pursuant to the terms of the subscription and sale and purchase agreement dated 28 December 2007 entered into between the Company, Weigao Holding Company Limited, certain management shareholders, Medtronic and Medtronic Holding Switzerland GmbH ("Medtronic Switzerland"), so long as Medtronic Switzerland continuously and beneficially owns at least five percent (5%) of the enlarged issued share capital of the Company in the form of H Shares, it shall be entitled to certain pre-emptive rights in the event that the Company proposes to issue H Shares or securities that are convertible into H Shares. Provided that Medtronic Switzerland maintains the five percent (5%) threshold requirement described immediately above, the Company shall, prior to issuing any H Shares or securities that are convertible into H Shares, give Medtronic Switzerland notice in writing specifying (a) the number of H Shares it proposes to issue, and (b) the price at which such H Shares are being issued. Upon receipt of such notice, Medtronic Switzerland shall have the right, but not the obligation, to subscribe for up to such number of H shares (or securities that are convertible into H Shares), at the same price and on the same terms and conditions as set out in the notice, as necessary to maintain its pro rata equity ownership of the Company.

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, for the six months ended 30 June 2010, none of the Directors or management shareholders of the Company (as defined in the Listing Rules) or their respective associates have an interest in a business which competes or may compete with the business of the Group, or have any other conflict of interest with the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules ("Model Code"). Having made specific enquiry, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the period under review.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 June 2010 have been reviewed by the Audit Committee.

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

10 August 2010

Weihai, Shandong, the PRC

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-Lue Butel and Mr. Li Bing Yung as the non-executive Directors, and Mr. Shi Huan, Mr. Luan Jian Ping, Mr. Lo Wai Hung and Mr. Li Jia Miao as the independent non-executive Directors.