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)

INTERIM REPORT 2011

* For identification purposes only

SUMMARY

For the six months ended 30 June 2011 (the "Period"), the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB1,505,785,000, representing an increase of approximately 32.4% over approximately RMB1,137,634,000 for the same period last year.

The unaudited net profit attributable to the shareholders for the six months ended 30 June 2011 was approximately RMB417,481,000, representing an increase of approximately 24.4% over approximately RMB335,525,000 for the same period last year.

During the Period, (1) growth momentum continued for the turnover of single use consumables of the Group and reached approximately RMB1,208,097,000, representing an increase of 30.8% when compared with the same period last year; (2) turnover of orthopaedic business was approximately RMB111,292,000, representing a growth of 44.1% when compared with the same period last year. The Distribution Joint Venture with Medtronic, Inc. ("Medtronic") in orthopaedic products was running well and net profit attributable to the Group was approximately RMB25,233,000 for the Period, representing an increase of 10.7% when compared with the same period last year; (3) turnover of blood purification business was approximately RMB131,076,000, representing an increase of 52.3% over the same period last year; and (4) attributable profit of stent business was affected by change in income tax rate and reduction of product price, and contributed approximately RMB67,193,000 to the Group, representing a decrease of 10.3% when compared with the same period last year.

The Board of Directors (the "Board") recommends the distribution of an interim dividend of RMB0.029 (same period in 2010: nil) per share for the six months ended 30 June 2011. The interim dividend proposal is subject to the approval by the shareholders of the Company (the "Shareholders") at the forthcoming general meeting.

UNAUDITED CONSOLIDATED INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the three months and six months ended 30 June 2011, together with the unaudited comparative figures for the same period in 2010 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June		**For the three months ended 30 June**	
		2011	2010	**2011**	2010
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	*3*	**1,505,785**	1,137,634	**812,761**	624,609
Cost of sales		**(697,856)**	(537,992)	**(379,317)**	(284,978)
Gross profit		**807,929**	599,642	**433,444**	339,631
Other income		**32,523**	45,133	**20,493**	21,034
Distribution costs		**(315,799)**	(238,350)	**(163,283)**	(125,818)
Administration expenses		**(141,577)**	(130,026)	**(69,942)**	(69,226)
Finance costs	*5*	**(1,820)**	(2,497)	**(1,206)**	(1,207)
Share of profit of jointly controlled entities		**64,194**	74,891	**31,310**	39,976
Share of profit of an associate		**25,233**	22,787	**14,293**	12,465
Profit before taxation	*6*	**470,683**	371,580	**265,109**	216,855
Income tax expense	*7*	**(51,127)**	(35,361)	**(29,446)**	(21,834)
Profit for the period		**419,556**	336,219	**235,663**	195,021
Other comprehensive income					
Exchange difference on translation of foreign operations		**(572)**	541	**(121)**	493
Total comprehensive income for the period		**418,984**	336,760	**235,542**	195,514

		For the six months ended 30 June		For the three months ended 30 June	
		2011	2010	**2011**	2010
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit for the period attributable to:					
Owners of the Company	*8*	**417,481**	335,525	**233,926**	194,516
Minority interests		**2,075**	694	**1,737**	505
		419,556	336,219	**235,663**	195,021
Total comprehensive income attributable to:					
Owners of the Company		**416,909**	336,066	**233,805**	195,009
Minority interests		**2,075**	694	**1,737**	505
		418,984	336,760	**235,542**	195,514
			(Restated)		(Restated)
Earnings per share (Basic)	*10*	**RMB0.096**	RMB0.078	**RMB0.053**	RMB0.045

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited As at 30 June 2011 RMB'000**	Audited As at 31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**1,667,334**	1,411,384
Investment properties		**–**	14,905
Prepaid lease payments for land use rights	*12*	**224,332**	226,953
Intangible assets		**19,292**	20,849
Interest in jointly controlled entities	*13*	**495,630**	431,436
Interest in an associate	*14*	**130,912**	130,127
Goodwill		**202,900**	202,900
Deferred tax assets		**14,246**	12,505
		2,754,646	2,451,059
Current assets			
Inventories	*15*	**420,613**	380,222
Trade and other receivables	*16*	**1,224,724**	1,055,751
Pledged bank deposits	*17*	**126,229**	134,109
Bank balances and cash	*18*	**1,823,546**	628,223
		3,595,112	2,198,305
Current liabilities			
Trade and other payables	*19*	**884,499**	838,534
Bank and other borrowings – repayable within one year	*20*	**21,572**	26,418
Tax payable		**42,830**	41,872
		948,901	906,824
Net current assets		**2,646,211**	1,291,481
		5,400,857	3,742,540

	Notes	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Capital and reserves			
Share capital	*21*	**447,637**	215,256
Reserves	*22*	**4,857,735**	3,411,154
Equity attributable to equity holders of the Company		**5,305,372**	3,626,410
Minority interests		**9,538**	7,463
Total equity		**5,314,910**	3,633,873
Non-current liabilities			
Bank and other borrowings			
– repayable after one year	*20*	**75,502**	88,303
Other long-term payables		**10,445**	20,364
		85,947	108,667
		5,400,857	3,742,540

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited For the six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net cash inflow generated from operating activities	**228,051**	171,781
Net cash outflow used in investing activities	**(274,742)**	(193,718)
Net cash outflow before financing activities	**(46,691)**	(21,937)
Net cash (outflow)/inflow from financing activities	**1,242,586**	(136,610)
Net (decrease)/increase in cash and cash equivalents	**1,195,895**	(158,547)
Bank balances and cash as at beginning of period	**628,223**	723,167
Effect of foreign exchange rate changes, net	**(572)**	541
Bank balances and cash as at end of period	**1,823,546**	565,161

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited For the six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Balance as at 1 January	**3,626,410**	2,939,683
Issue of shares	**1,429,917**	–
Net profit for the period	**417,481**	335,525
Dividend paid	**(167,864)**	(113,010)
Exchange gains and losses arising from foreign currency transactions	**(572)**	541
Balance as at 30 June	**5,305,372**	3,162,739

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 shares of the Company was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 27 February 2004 and had withdrawn its listing status on the GEM and transferred to the Main Board of the Stock Exchange since 29 July 2010.

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

The unaudited 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 financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, Hong Kong Financial Reporting Standards (the "HKFRS") and the relevant applicable disclosure requirements of the Rules Governing the Listing of Securities on 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 2010.

The Group has applied various new and amended Hong Kong Financial Reporting Standards and HKAS (collectively as 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 period 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 2011 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 2010.

3. Revenue

Revenue represents the fair value of the consideration received and receivable for goods sold by the Group to external customers after deducting 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, orthopaedic products and blood purification products and its principal place of business is in the PRC.

For management purposes, the Group is currently organised into three operating divisions – single-use medical products, orthopaedic products, blood purification products. These divisions are segmented on the basis of internal reporting of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and assess their performance.

The principal activities of the Group's operating segments 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.
Blood purification products	–	production and sale of blood purification products and related medical equipment.

Segment revenues and results

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

2011

	Single use medical products RMB'000	Orthopaedic products RMB'000	Blood products RMB'000	Eliminations RMB'000	Total RMB'000
Revenue					
External sales	1,263,417	111,292	131,076	–	1,505,785
Inter-segment sales	710	–	3,164	(3,874)	–
Total	1,264,127	111,292	134,240	(3,874)	1,505,785
Segment profit (loss)	302,028	34,786	11,181	–	347,995
Unallocated expenses					(435)
Unallocated other income, gain and losses					33,696
Share of profit of jointly controlled entities					64,194
Share of profit of associates					25,233
Profit before tax					470,683

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 jointly controlled entities					74,891
Share of profit of associates					22,787
Profit before tax					371,580

5. Finance costs

Finance costs for the three months and six months ended 30 June 2011 were approximately RMB1,206,000 and RMB1,820,000 respectively (same periods in 2010: RMB1,207,000 and RMB2,497,000 respectively), 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	
	2011	2010
	RMB'000	RMB'000
Operating profit has been arrived at after charging (crediting) the followings:		
Provision for bad debts	**7,227**	7,429
Amortization of intangible assets (included in administration expenses)	**1,557**	1,557
Depreciation	**46,495**	43,736
Depreciation of investment properties	**296**	296
Prepaid lease payments charged to income statement	**2,621**	2,617
Rental payments in respect of premises under operating leases	**3,858**	2,565
Research and development expenditure	**56,003**	53,348
Cost of inventory recognized as expenses	**697,856**	537,992
Staff costs, including directors' remuneration		
Retirement benefits scheme contributions	**42,282**	28,753
Wages and salaries	**151,919**	119,129
Total staff costs	**194,201**	147,882
Losses/Gains from foreign exchange, net	**5,926**	(728)
Losses on disposal of property, plant and equipment	**150**	(401)
Interest income	**(2,428)**	(2,483)
Rental income from investment properties	**(1,128)**	(1,128)
Rebate of value-added tax	**(18,941)**	(16,966)
Income generated from investing in an associate	**–**	17,710

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 had 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 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 minimum wages approved by Weihai Municipal Government, and the annual cap refund of each employee with disability is RMB35,000.

7. Taxation

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulations of EIT Law, the tax rate of certain PRC subsidiaries is 25% from 1 January, 2008 onwards.

In accordance with the "Notice of the State Taxation Bureau of Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", new and high technology enterprises are subject to income tax at a tax rate of 15%.

The Company, Weihai Jierui Medical Products Company Limited ("Jierui Subsidiary") , Shandong Weigao Orthopaedic Device Company Limited ("Weigao Orthopaedic") and Weihai Weigao Blood Purification Product Company Limited ("Weigao BP") were recognized as Shandong Province New and High Technology Enterprises（山東省高新技術企業）. Therefore, they were subject to income tax at a tax rate of 15%.

Jierui Subsidiary was recognised as a "Social Welfare Entity". Pursuant to Cai Shui 2007 No. 92 document issued by 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 2011 was made after taking these tax incentives into account.

Weigao Orthopaedic is a sino-foreign joint venture operating in the PRC and is entitled to an exemption from PRC income tax for the two years commencing from its first profit-making year, followed by a 50% tax relief for the next three years. Weigao Orthopaedic commenced its first profit-making year in 2006. Taxation for the period ended 30 June 2011 is computed at a tax rate of 15%.

Taxation for other PRC subsidiaries is computed at a tax rate of 25% (2010: 25%).

No provision of Hong Kong taxation had been made for Weigao International Medical Co., Ltd, Wego Medical Investment Company Limited, Wego Medical Holding Company Limited and Wellford Capital Limited as they did not have assessable profit in Hong Kong during the Period.

No provision of overseas taxation had been made for Weigao Medical (Europe) Co., Ltd and Weigao Medical Germany Gmbh as they did not have assessable profit during the Period.

8. Profit attributable to owners of the Company

For the three months and six months ended 30 June 2011, net profit attributable to owners of the Group were RMB233,926,000 and RMB417,481,000 (same periods in 2010: RMB194,516,000 and RMB335,525,000) respectively.

9. Dividend

The Board recommends the distribution of an interim dividend of RMB0.029 per share for the six months ended 30 June 2011 (same period in 2010: nil).

10. Earnings per share

On 27 April 2011, the Company placed 85,624,000 new H Shares at a price of HK$20.6 per H Share. On 30 June 2011, 1,296,320,000 Non-listed Shares of RMB 0.1 each and 941,866,162 H Shares of RMB 0.1 each were issued by way of bonus issue on the basis of one bonus Non-listed Share for every Non-listed Share and one bonus H Share of every existing H share held.

For the three months and six months ended 30 June 2011, basic earnings per share were calculated based on the profits attributable to shareholders of RMB233,926,000 and RMB417,481,000 (same periods in 2010: RMB194,516,000 and RMB335,525,000) respectively and the weighted average total number of shares of 4,365,676,000 shares and 4,425,562,000 shares (same periods in 2010: 4,305,124,000 shares and 4,305,124,000 shares) respectively.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the one-for-one bonus issue for the calculation and restatement of basic earnings per share of the current period and prior period respectively.

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 2010	260,420	507,229	546,118	35,635	11,404	67,406	1,428,212
Additions	295,301	9,562	13,956	4,670	–	16,246	339,735
Transfer	(29,096)	93	26,284	905	–	1,814	–
Disposals	–	(3)	(3,486)	(3,735)	–	(2,078)	(9,302)
At 31 December 2010	526,625	516,881	582,872	37,475	11,404	83,388	1,758,645
Additions	285,658	1,437	7,542	4,536	1,521	2,021	302,715
Transfer	(17,988)	–	16,651	–	–	1,337	–
Disposals	–	–	(383)	(52)	–	(2,557)	(2,992)
At 30 June 2011	794,295	518,318	606,682	41,959	12,925	84,189	2,058,368
Depreciation							
At 1 January 2010	–	64,350	129,300	14,618	11,047	42,146	261,461
Provided for the year	–	15,918	53,146	6,817	123	14,359	90,363
Eliminated on disposals	–	–	(2,465)	(2,583)	–	(1,829)	(6,877)
Impairment loss recognised in profit or loss	2,314	–	–	–	–	–	2,314
At 31 December 2010	2,314	80,268	179,981	18,852	11,170	54,676	347,261
Provided for the year	–	8,010	27,674	3,512	252	7,047	46,495
Eliminated on disposals	–	–	(309)	(41)	–	(2,372)	(2,722)
At 30 June 2011	2,314	88,278	207,346	22,323	11,422	59,351	391,034
Carrying values							
At 30 June 2011	791,981	430,040	399,336	19,636	1,503	24,838	1,667,334
At 31 December 2010	524,311	436,613	402,891	18,623	234	28,712	1,411,384

12. Prepaid lease payments

	30 June 2011 RMB'000	31 December 2010 RMB'000
The Group's prepaid lease payments comprise the leasehold land in PRC		
Medium-term lease	**229,574**	232,195
Analysed for reporting purposes as:		
Current portion (include other trade and other receivables)	**5,242**	5,242
Non-current portion	**224,332**	226,953
	229,574	232,195

13. Interests in jointly controlled entities

Name	Form of business structure	Place of incorporation or registration/ operation	Attributable proportion of nominal value of registered capital held by the Group		Principal activities
			2011	2010	
Shandong JW Medical Products Co., Ltd.	Incorporated	PRC	**50%**	50%	Production and sale of medical products
Weigao Nikkiso Dialysis Equipment Co., Ltd	Incorporated	PRC	**51%**	51%	Manufacturing, sale and after sale service of Nikkiso technology based medical products

	30 June 2011 RMB'000	31 December 2010 RMB'000
Cost of unlisted investment, at cost	**50,990**	50,990
Share of post-acquisition profit and other comprehensive income	**444,640**	380,446
	495,630	431,436

14. Interest in an associate

Name	Form of business structure	Place of incorporation or registration/ operation	Attributable proportion of nominal value of registered capital held by the Group 2011	2010	Principal activities
Medtronic Weigao Orthopaedic Device Company Limited	Incorporated	PRC	**49%**	49%	Sale and distribution of orthopaedic medical device products

	30 June 2011 RMB'000	31 December 2010 RMB'000
Cost of unlisted investment in an associate, at cost	**–**	–
Gain arising from the increase in share of net assets of an associate	**–**	35,419
Realised gain arising from the establishment of an associate	**72,314**	36,895
Share of post-acquisition profit and other comprehensive income, net of dividends received	**76,608**	68,920
Unrealised profit on the sale of an associate	**(18,010)**	(11,107)
	130,912	130,127

15. Inventories

	Unaudited At 30 June 2011 RMB'000	Audited At 31 December 2010 RMB'000
Cost:		
Raw materials	**189,947**	169,555
Finished goods	**230,666**	210,667
	420,613	380,222

16. Trade and other receivables

	Unaudited At 30 June 2011 RMB'000	Audited At 31 December 2010 RMB'000
0 to 90 days	**642,862**	542,565
91 to 180 days	**264,365**	212,710
181 to 365 days	**79,181**	72,920
Over 365 days	**38,017**	40,045
Trade receivables	**1,024,425**	868,240
Bills receivables	**90,512**	91,822
Other receivables	**34,224**	28,241
Deposits and prepayments	**75,563**	67,448
	1,224,724	1,055,751

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 0.4% and 3.3% (2010: 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 0.40% and 1.49% (2010: 0.36% to 1.15%) per annum. The fair values of bank deposits as at 30 June 2011 approximated to their corresponding carrying amounts.

19. Trade and other payables

	Unaudited At 30 June 2011 RMB'000	Audited At 31 December 2010 RMB'000
0 to 90 days	**246,319**	200,613
91 to 180 days	**43,667**	32,753
181 to 365 days	**20,719**	21,028
Over 365 days	**8,680**	8,691
Trade payables	**319,385**	263,085
Bills payables	**272,968**	328,130
Consideration payable for the acquisition of additional interest in a subsidiary	**21,386**	31,599
Other and expenses payables	**270,760**	215,720
	884,499	838,534

20. Bank borrowings

	Unaudited At 30 June 2011 RMB'000	Audited At 31 December 2010 RMB'000
Secured bank borrowings	**97,074**	114,721
Original maturity dates of the above bank borrowings and other loans are as follows:		
Repayable in current period or less than one year	**21,572**	26,418
Repayable over one year but less than two years	**21,572**	22,076
Repayable over two years but less than 5 years	**53,930**	66,227
	97,074	114,721
Less: Loan stated as liabilities and repayable within one year	**(21,572)**	(26,418)
Amount repayable after one year	**75,502**	88,303

21. Share capital

	Nominal value of Share RMB	Number of non-listed Shares	Number of H Shares	Total number of Shares	Market Value RMB'000
As at 1 January 2010	0.1	648,160,000	428,121,081	1,076,281,081	107,628
Bonus issue of shares	0.1	648,160,000	428,121,081	1,076,281,081	107,628
As at 31 December 2010	0.1	1,296,320,000	856,242,162	2,152,562,162	215,256
Placing of H Shares	0.1	–	85,624,000	85,624,000	8,562
Bonus issue of shares	0.1	1,296,320,000	941,866,162	2,238,186,162	223,819
As at 30 June 2011	0.1	2,592,640,000	1,883,732,324	4,476,372,324	447,637

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 2010	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	–	–	–	–	799,072	799,072	3,280	802,352
Dividends paid	–	–	–	–	(113,010)	(113,010)	–	(113,010)
Exchange gains/losses arising from foreign currency transactions	–	–	–	665	–	665	–	665
Capital injection from minority shareholder	–	–	–	–	–	–	1,000	1,000
Transfer to statutory reserve	–	–	52,656	–	(52,656)	–	–	–
Bonus issue of shares	107,628	(107,628)	–	–	–	–	–	
As at 31 December 2010	215,256	1,285,542	163,873	28	1,961,711	3,626,410	7,463	3,633,873
Profit for the year and total revenue recognised	–	–	–	–	417,481	417,481	2,075	419,556
Dividends paid	–	–	–	–	(167,864)	(167,864)	–	(167,864)
Shares Issued	8,562	1,421,355	–	–	–	1,429,917	–	1,429,917
Bonus issue of shares	223,819	(223,819)	–	–	–	–	–	–
Exchange gains/losses arising from foreign currency transactions	–	–	–	(572)	–	(572)	–	(572)
As at 30 June 2011	447,637	2,483,078	163,873	(544)	2,211,328	5,305,372.00	9,538.00	5,314,910

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 in 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 converting the statutory surplus reserve into share capital by way of capitalization, it should not result that the balance of such reserves will 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 onwards, the companies under the Group ceased to transfer funds from statutory public welfare fund. The statutory public welfare fund as at 31 December 2005 was part of the share capital of the shareholders, which cannot be distributed other than for the purpose of liquidation. Pursuant to the board resolution 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, the distributable profit of the Company was determined at the lower of such amount computed based on the accounting principles and regulations of the PRC or the generally accepted accounting principles in Hong Kong. As at 30 June 2011, the retained earnings available for distribution to shareholders was approximately RMB1,428,272,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the Period, the Company issued bonus Non-listed Shares and bonus H Shares and placed new H Shares. The Company placed a total of 85,624,000 new H shares on 27 April 2011, and issued bonus Shares on the basis of one bonus Share for every Share held on 7 June 2011. The total issued share capital of the Company was enlarged to 4,476,372,324 Shares after the bonus issue and placing.

International collaboration

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

During the Period, the Company agreed to dispose its entire 50% equity interest in JW Medical Systems Limited ("JWMS") which is principally engaged in stent business to Biosensors International Group Ltd ("Biosensors"), a Singapore listed company at a consideration of S$625,400,000 (equivalent to approximately HK$3,964,600,000), and the consideration will be satisfied by way of cash, by issue of Biosensors new shares and by issue of convertible notes to convert into Biosensors shares. As at the date of this report, this transaction is at the approval stage.

During the Period, the Distribution Joint Venture with Medtronic in orthopaedic products was running well. The Distribution Joint Venture established a technology support centre and implemented an incentive corporate growth sharing plan during the Period, and resulted additional expenses. For the six months ended 30 June 2011, net profit attributable to the Group was approximately RMB25,233,000, representing an increase of 10.7% when compared with the same period last year.

During the Period, the joint venture company with Nikkiso Co., Ltd. was at its trial production stage and was in the process of applying product registration certificate. It is expected to commence operation in the fourth quarter this year. The joint venture company produces hemodialysis machines and provides after-sales services in China. The Company's 70% held subsidiary, Weigao Blood Purification Products Co., Ltd. ("Weigao BP") will distribute hemodialysis machines in China produced by the joint venture company. The collaboration leverages the complementary strengths of the two partners and it will further strengthen the Group's competitive position in blood purification segment. It also lays a solid foundation for the business expansion of the Group in the blood purification market in China.

Optimization adjustments to product mix

During the Period, the Group continued the strategy of improving the product mix, focusing on the business development of orthopaedic products, blood purification products and increased the marketing and sales efforts 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. Due to effective changes in product mix, the Group absorbed the effects of rising raw materials and labour costs, and further increased its gross profit margin to 53.7% from 52.7% in the same period last year. During the Period, the percentage of turnover from high value-added products (products with gross profit margins of over 60%) of the Group to its turnover maintained at 44.9% (same period last year: 43%) The performance of the Group in the four business segments was as follows:

1. Consumables: Remarkable results were achieved following the product mix adjustment on the principal products. The Group recorded a turnover of approximately RMB1,208,097,000, representing an increase of 30.8% over the same period last year. The Group recorded a continued growth in needle products, with turnover of approximately RMB269,400,000, representing an increase of 42.4% when compared with the same period last year. The Directors believe that needle products will become an important area for continued development of the Company.

Market development of specialized infusion set with dosage control device and infusion sets made of proprietary non PVC based material has also maintained the rapid growing momentum during the Period. It drove up the turnover of infusion sets of the Group to RMB447,652,000, representing an increase of 33.4% over the same period last year.

During the Period, the glass tube production line for pre-filled syringes was operating smoothly. The Company established a favourable position in market development. The turnover of pre-filled syringes for the Period amounted to approximately RMB72,577,000, representing an increase of 48.1% over the same period last year.

2. The blood purification business of Weigao BP, a subsidiary of the Company, had achieved fast growth and recorded a turnover of approximately RMB131,076,000, representing an increase of approximately 52.3% when compared with the same period last year. The Group had invested approximately RMB100,000,000 for purchasing the second polymer membrane dialysis device production line to expand the production capacity so as to meet the market demand, and it is expected that the installation and trial run would be completed in the fourth quarter in 2011. The Directors expect that the blood purification business will become an important direction and area for the development of the Group. Weigao BP, has obtained the approval from the government to operate a haemodialysis centre independently. As at the date of this report, Weigao BP has established one haemodialysis centre and commenced its official operation. There are two haemodialysis centres which are at their preparatory stage.

3. Turnover of orthopaedic business during the Period was approximately RMB111,292,000, representing a growth of 44.1% when compared with the same period last year.

4. During the Period, the stent business of JWMS which is 50% held by the Company, sustained its continued growth in quantity sold, however, intensify market competition had lead to pressure for price reduction. At the same time, the preferential tax policy of the two years tax exemption followed by three years of 50% tax relief, which JWMS was entitled to, expired on 31 December 2010. JWMS is subject to income tax rate of 25% (same period in 2010: 12.5%) for the Period. JWMS contributed approximately RMB67,193,000 to the profit of the Group for the Period, representing a decrease of 10.3% when compared with the same period last year.

RESEARCH AND DEVELOPMENT

For the six months ended 30 June 2011, the Group obtained 4 new patents and was applying for 32 new patents. Product registration certificates for 10 new products were obtained. The research and development for 29 products were completed for which application for product registration certificates are underway.

The operation strategy of placing strong emphasis on research and development has enhanced the Group's competitiveness and allows the Group to leverage on its customer base and provides the Group with new growth drivers.

As at 30 June 2011, the Group had over 190 product registration certificates and over 130 patents, of which 18 were patents on invention.

In view of the need for the strategic adjustments to product mix, the Group continued to sustain its investments in the research and development in existing products series and new medical devices, so as to further improve its product series and expand product range. The Group continued to consolidate its leading position in research and development capability in China. For the six months ended 30 June 2011, total research and development expenses amounted to approximately RMB56,003,000 (same period in 2010: RMB53,348,000), representing 3.7% (same period in 2010: 4.7%) of the turnover of the Group.

PRODUCTION

For the period ended 30 June 2011, production volume of the Group's products as compared with the same period last year is as follows:

		For the six months ended 30th June		
Product Type	**Measurement unit**	**2011**	2010	**Increase/ (Decrease) over corresponding period**
				%
Needles	1,000 pieces	**1,541,785**	1,399,742	10.1%
Syringes	1,000 pieces	**429,284**	375,237	14.4%
Infusion sets	1,000 pieces	**192,996**	179,690	7.4%
Blood sampling products	1,000 pieces	**79,781**	54,660	46.0%
Pre-filled syringes	1,000 pieces	**27,408**	15,774	73.8%
Blood bags	1,000 sets	**11,846**	10,249	15.6%
PVC granules	Tons	**6,865**	6,419	6.9%
Orthopaedic products	1,000 sets	**1,312**	820	60.0%
Haemodialysis consumables	1,000 sets	**727**	496	46.6%
Others	1,000 sets	**126,437**	104,106	21.5%

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

Sales and Marketing

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.

During the Period, the Group consolidated its sales management system, strengthened the development momentum of direct sales customers, integrated market customer resources and phased out low profitability customers. For the six months ended 30 June 2011, the Group newly added 3 hospitals and 5 other medical units to its customer portfolio. Those distributors of less competitiveness were being phased out or merged and became the second tier distributors. The corporate customers decreased by 24. As at the date of this report, the Group has a customer base of 5,039 (including 2,943 hospitals, 413 blood stations, 621 other medical units and 1,062 distributors).

Sales comparison by geographical regions in the Period compared with the same period last year are set out as follows:

TURNOVER BY GEOGRAPHICAL SEGMENTS

Region	2011		2010		Growth
	RMB'000	**%**	RMB'000	%	%
Eastern and Central	**589,080**	**39.1**	429,000	37.7	37.3
Northern	**362,695**	**24.1**	286,557	25.2	26.6
Northeast	**184,479**	**12.3**	160,448	14.1	15.0
Southern	**137,856**	**9.2**	103,659	9.1	33.0
Southwest	**123,364**	**8.2**	81,810	7.2	50.8
Northwest	**42,295**	**2.8**	31,631	2.8	33.7
Overseas	**66,016**	**4.3**	44,529	3.9	48.3
Total	**1,505,785**	**100.0**	1,137,634	100.0	32.4

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 significantly. Average sales per customer were increased by approximately 33.9% 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 was 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, high valued added infusion sets, blood purification consumables. It has increased the proportion of sales generated from high value-added products. Sales revenue comparison of principal products with that of the same period last year is set as follows:

	For the six months ended 30 June			For the three months ended 30 June		
Product category	**2011**	2010	**Increase/ (Decrease) over corresponding period**	**2011**	2010	**Increase/ (Decrease) over corresponding period**
	RMB'000	RMB'000	%	**RMB'000**	RMB'000	%
Self-produced products consumables						
– Infusion sets	**447,652**	335,459	33.4%	**241,598**	182,288	32.5%
– Needles	**269,400**	189,186	42.4%	**146,324**	105,071	39.3%
– Syringes	**217,868**	186,728	16.7%	**111,920**	95,363	17.4%
– Blood bags	**87,567**	74,152	18.1%	**45,897**	38,854	18.1%
– Pre-filled syringes	**72,577**	48,989	48.1%	**41,379**	30,712	34.7%
– Blood sampling products	**27,004**	20,858	29.5%	**15,675**	11,037	42.0%
– Other consumables	**86,029**	68,517	25.6%	**46,423**	37,181	24.9%
– Subtotal for consumables	**1,208,097**	923,889	30.8%	**649,216**	500,506	29.7%
Orthopaedic products	**111,292**	77,243	44.1%	**57,806**	42,558	35.8%
Blood purification consumables	**81,983**	55,598	47.5%	**40,604**	29,761	36.4%
Trading of medical equipment products	**49,093**	30,486	61.0%	**33,260**	22,433	48.3%
PVC granules	**34,832**	27,280	27.7%	**19,374**	14,028	38.1%
Other products	**20,488**	23,138	(11.5%)	**12,501**	15,323	(18.4%)
Total	**1,505,785**	1,137,634	32.4%	**812,761**	624,609	30.1%

HUMAN RESOURCES

As at 30 June 2011, the Group employed a total of 7,385 employees. The breakdown by departments when compared with the same period last year is as follows:

	As at 30 June 2011	As at 31 December 2010
Department		
Production	**5,103**	5,010
Sales and marketing	**1,035**	1,012
Research and development	**755**	731
Finance and administration	**256**	250
Quality control	**133**	129
Management	**73**	71
Purchasing	**30**	30
Total	**7,385**	7,233

Save for the seven employees (including the company secretary) who reside in Hong Kong and Europe, all the employees of the Group are resided in China. During the Period, total cost of salaries, welfare and social benefits of the Group amounted to approximately RMB194,201,000 (same period in 2010: RMB147,882,000).

Remuneration System

The Group's remuneration policy has been determined based on its performance, changes in the local consumption level and competition in human resources market. The remuneration policy so determined has become the basis of determining the salary levels of employees recruited for different positions. The salary of each employee is determined according to the employee's performance, ability, employment conditions and the salary standards set out by the Company. Remuneration of Directors is determined by the Remuneration Committee with reference to the operating results of the Company, personal performance of the Director and market competition. The proposed remuneration of Directors is subject to the approval of shareholders at the annual general meeting.

FINANCIAL REVIEW

For the six months ended 30 June 2011, the Group recorded a turnover of RMB1,505,785,000, representing an increase of 32.4% over the same period last year, and net profit attributable to shareholders of RMB417,481,000, representing an increase of 24.4% over the same period last year.

Liquidity and Financial Resources

The Group has maintained a sound financial position. As at 30 June 2011, the Group's cash and bank balance amounted to approximately RMB1,823,546,000. For the six months ended 30 June 2011, net cash flow from operating activities of the Group amounted to approximately RMB228,051,000. The Group has maintained a sound cash flow position.

During the Period, the Group repaid bank borrowings of approximately RMB17,647,000. As at 30 June 2011, the Group had the outstanding long-term borrowings from the International Finance Corporation ("IFC"). As at 30 June 2011, the total amount of bank and other borrowings payable within one year was approximately RMB21,572,000 (same period in 2010: RMB27,251,000), and the total amount of bank and other borrowings payable after one year amounted to approximately RMB75,502,000 (same period in 2010: RMB101,864,000).

Total interest expenses of the Group for the six months ended 30 June 2011 were approximately RMB1,820,000 (same period in 2010: RMB2,497,000).

Gearing Ratio

As at 30 June 2011, total net cash of the Group amounted to approximately RMB1,726,472,000 (same period in 2010: RMB435,775,000). Change in total net cash was mainly due to the issue of new H shares in 2011 and the increase in profit during the Period.

Foreign Exchange Risks

The Group's purchases and sales are mainly conducted in the PRC. All of its assets, liabilities and transactions are denominated in RMB. For the six months ended 30 June 2011, the Group had not encountered any material difficulty due to currency fluctuation nor shortage of its own operating funds. For the six months ended 30 June 2011, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

Due to the change in exchange rates, foreign exchange loss equivalent to RMB5,926,000 (same period in 2010: foreign exchange gain equivalent to RMB728,000) for the six months ended 30 June 2011 was recognized by the Company.

Contingent Liabilities

On 21 April 2011, the Company received a notice of arbitration issued by the Hong Kong International Arbitration Centre, under which an applicant submitted an application in relation to an arbitration in the dispute arising from an alleged wrongful termination of a contract dated 9 March 2010 relating to the production and supply by the Company of certain auto disable syringes. The applicant seeks an award of up to US$49.6 million in damages and other losses. As at the date of this report, the arbitration is still in the progress. The Directors believe that the arbitration will have no significant impact on the financial position of the Group.

Save for the above significant event, the Group did not have any material contingent liabilities as at 30 June 2011.

Material Investments in Subsidiaries/Future Material Investment Plans

1. According to the municipal planning of Weihai City, the industrial zone of the Group's medical consumables production plant will be re-zoned as commercial and residential use. Hence, during the Period, the Group made an actual investment of approximately RMB162,156,000 on plant construction for the re-location of all of the medical consumables production plants in the future.

2. In view of the strong production demand on blood purification consumables, Weigao BP had commenced the procurement and setting up of the second production line. Total investment costs will be approximately RMB100,000,000.

Save for the above material investment and investment plans, the Group had no material capital commitments or any future plans involving significant investments or capital assets acquisition as at 30 June 2011, and there was no material acquisition and disposal in any other subsidiaries and associates during the Period.

Usage of Funds Raised

On 27 April 2011, the Company placed 85,624,000 new H Shares at a price of HK$20.6 per Share and raised the proceeds of approximately RMB1,429,917,000. As at the date of this report, the Company has completed the capital verification procedure and will commence the capital investment.

Capital Commitment

As at 30 June 2011, the capital commitment of the Group and the Company contracted but not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB489,988,000 (same period in 2010: RMB248,710,000), of which the capital commitment in relation to the re-location of plant amounted to approximately RMB304,256,000.

Review and Outlook

During the Period under review, firstly, the Company continued to face a significant increase in material, transportation and labour costs and resulted a fairly low profit margin for majority of the conventional products. It had impact on profit growth of conventional single use consumables. Secondly, facing competition in talent recruitment, the Distribution Joint Venture implemented an incentive corporate growth sharing plan and establish a technology supporting centre and therefore slowed down the net profit growth compared with the turnover growth of the Distribution Joint Venture. It resulted a temporary impact on net profit growth compared with that last year. Thirdly, the change in tax rate and the decrease in stent product price affected the attributable profit from the stent business. Fourthly, outperformance of blood purification business set off the negative impact from the abovementioned three business segments.

In summary, the net profit growth lagged behind the sales growth of the Company during the Period. The Directors consider that the growth in volume and sales of the Company was well above the growth rate in the industry and the market shares of the four segments of Group were expanding and it would lay a solid foundation for the future development of the Company in the industry.

Looking ahead to the second half year, the Company believes that materials costs will continue to increase and it will continue to affect the profitability of conventional products. Since the new round of tendering launched in May this year, there was a trend for hospitals to reduce the tendering of high-ended infusion sets in some provinces. Facing the change in market structure and high production cost, the Company will adjust the product mix and will place emphasis on the following:–

1. Continue to intensify more efforts on research and development of new products and product sales mix adjustment and consolidate the Group's competitive position in the PRC high-end market. The Group will strengthen the medical staff training and the selection and consolidation of distributors in the middle-end market, thereby laying a solid foundation for the Group's entry into the middle-end market after production capacity expansion in 2012.

2. Capitalize on the Group's research and development strengths, continue to increase the investments in technological improvement, and increase automation standard with an objective of assimilating rising labour costs and recruitment pressure in the long run. The Group will speed up the study and implementation of the long term incentive scheme for employees to share the success of the Group. The Group will continue to offer competitive salaries and fringe benefits packages to retain and expand the work force.

3. Continue to focus on domestic market. Leverage on the stable development of domestic market to backup the long term process of developing and expanding overseas markets. Fully capitalize on the customer resource strengths in the PRC high-end market, and through international collaboration by ways of joint venture, co-operation, technology transfer, acquisitions and mergers, etc., thereby introducing technologies and further expanding product categories.

4. Strengthen the strategic management, in particular in the area of blood purification business, strategically expanding into the medical service sector to counteract the policy risk and pressure from competition.

Though price increase in selected products, it will lessen the impact of costs increase in raw materials and labour, the management believes that the Group will continue to consolidate its leading position in the PRC market. The Group and its employees are confident to face new challenges.

INTERIM DIVIDEND

The Board of Directors (the "Board") recommends the distribution of an interim dividend of RMB0.029 (same period in 2010: nil) per share for the six months ended 30 June 2011. Such proposal is subject to the approval by the Shareholders of the Company (the "Shareholders") at the forthcoming general meeting.

INTERIM DIVIDEND AND SPECIAL GENERAL MEETING

The Board recommended to distribute an interim dividend of RMB0.029 per share (inclusive of tax). The total amount of dividends to be distributed shall be approximately RMB129,815,000, of which dividends paid to non-resident corporate shareholders will be subject to the corporate tax applicable on the PRC sourced income pursuant to the PRC Corporate Income Tax Law and the Regulations on the Implementation of the PRC Corporate Income Tax Law that became effective on 1 January 2008 and the applicable tax rate is 10%. The listed issuer will be responsible for withholding the relevant amount of tax from dividend payment and the dividends to be received by the non-resident corporate shareholders will be net of withholding tax. The proposal to declare and pay this interim dividend will be submitted to the shareholders of the Company at the forthcoming special general meeting to be held on 10 October 2011 ("SGM"). Interim dividends payable for non-listed Shares will be distributed and paid in RMB whereas interim dividends for H Shares will be distributed and paid in Hong Kong dollars.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the shareholders entitled to attend and vote at the SGM, the register of members of the Company will be closed from Saturday, 10 September 2011 to Monday, 10 October 2011 (both dates inclusive). All transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 9 September 2011.

In order to determine the identity of the shareholders entitled to receive the interim dividend of the Company for the six months ended 30 June 2011, all transfer document accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 14 October 2011. The interim dividend of RMB0.029 per share for the six months ended 30 June 2011 will be paid to the Shareholders whose names are shown on the register of members of the Company at the close of business on the record date, i.e. 14 October 2011.

Dividend warrants in respect of the interim dividend of RMB0.029 per share will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Friday, 4 November 2011.

DISCLOSURE OF INTERESTS

Directors' Interests and Long Positions in Shares

As at 30 June 2011, 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	32,400,000	0.72%
Mr. Miao Yan Guo	Personal	Beneficial owner	23,400,000	0.52%
Mr. Wang Yi	Personal	Beneficial owner	23,400,000	0.52%
Mrs. Zhou Shu Hua	Personal	Beneficial owner	15,300,000	0.34%
Mr. Wang Zhi Fan	Personal	Beneficial owner	8,100,000	0.18%
Mr. Wu Chuan Ming	Personal	Beneficial owner	7,200,000	0.16%

In addition, Mr. Chen Lin, son of Mr. Chen Xue Li, the chairman, is a shareholder of the Company's 200,000 non-listed shares, representing 0.004% 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 or 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 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance had recorded that, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interest in the non-listed 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	2,129,755,676	–	82.1%	47.6%
Medtronic Holding Switzerland GmbH	Beneficial owner	322,884,324	322,884,324	12.5%	14.4%

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	322,884,324 (L)	17.1%
Atlantis Investment Management (Hong Kong) Limited	182,000,000 (L)	9.7%
Liu Yang	182,000,000 (L)	9.7%
FMR LLC	131,444,000 (L)	7.0%
Norges Bank	123,216,000 (L)	6.5%
Capital Research and Management Company	114,662,000 (L)	6.1%
The Capital Group Companies, Inc.	113,552,000 (L)	6.0%

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

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2011, the largest supplier of the Group and the next four largest suppliers accounted for approximately 9.3% and 26.1% 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, save for the Company to place 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, the issue of 80,721,081 new H Shares of the Company on 18 December 2008 and the issue of 85,624,000 new H Shares of the Company on 27 April 2011, 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 effective protection of shareholders' interests. 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 2011, except for the deviation that Code Provision A.4.1 which 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, however, subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company is regarded as fair and reasonable.

AUDIT COMMITTEE

The Company 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. 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 2011 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 adequate 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.

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 2011, 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 2011 have been reviewed by the Audit Committee.

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

15 August 2011

Weihai, Shandong, the PRC

As at the date of this report, the Board comprises Executive Directors, namely Mr. Zhang Hua Wei, Mr. Miao Yan Guo, Mr. Wang Yi, Mr. Wang Zhi Fan and Mr. Wu Chuan Ming, and Non-executive Directors, namely Mr. Chen Xue Li, Mrs. Zhou Shu Hua, Mr. Jean-Luc Butel, Mr. Li Bing Yung, and Independent non-executive Directors, namely Mr. Luan Jian Ping, Mr. Lo Wai Hung and Mr. Li Jia Miao.