

# 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 2014

**WEGO** 威高

\* For identification purposes only

## SUMMARY

For the six months ended 30 June 2014 (the "Period"), the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB2,544,565,000, representing an increase of approximately 17.7% over approximately RMB2,162,056,000 for the same period last year.

The unaudited net profit attributable to the shareholders of the Group for the six months ended 30 June 2014 was approximately RMB472,901,000, representing an increase of approximately 10.1% over approximately RMB429,471,000 for the same period last year. Excluding extraordinary items, net profit attributable to the equity holders of the Company was approximately RMB477,131,000 (same period in 2013 of approximately RMB397,139,000), representing an increase of approximately 20.1% when compared with the same period last year.

During the Period, (1) turnover of single-use consumables was approximately RMB1,928,377,000, representing an increase of 16.2% when compared with the same period last year; (2) turnover of orthopaedic products was approximately RMB300,281,000, representing an increase of 15.5% when compared with the same period last year. The winding up of the Distribution Joint Venture with Medtronic is underway. The division and transfer of the principal assets, personnel, market and business operation of the Distribution Joint Venture had been completed. During the Period, loss from the Distribution Joint Venture attributable to the Group was approximately RMB4,230,000 (nil in the same period of 2013); (3) turnover of blood purification business was approximately RMB315,907,000, representing an increase of 30.3% over the same period last year; and (4) the Group disposed of its entire equity in Biosensors International Group Limited ("Biosensors") in the fourth quarter of last year (in the same period of 2013, profit attributable to the Group from Biosensors was approximately RMB32,332,000).

The Board of Directors (the "Board") recommends the distribution of an interim dividend of RMB0.031 per share for the six months ended 30 June 2014 (same period in 2013: RMB0.029 per share). The 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 2014, together with the unaudited comparative figures for the same period in 2013 as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
	Notes	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	3	<b>2,544,565</b>	2,162,056	<b>1,376,541</b>	1,149,380
Cost of sales		<b>(1,047,990)</b>	(880,428)	<b>(563,886)</b>	(469,592)
Gross profit		<b>1,496,575</b>	1,281,628	<b>812,655</b>	679,788
Other income, gain and loss		<b>36,574</b>	(8,804)	<b>23,157</b>	(20,093)
Distribution costs		<b>(680,910)</b>	(562,350)	<b>(376,372)</b>	(292,661)
Administration expenses		<b>(165,497)</b>	(137,575)	<b>(92,647)</b>	(76,114)
Research and development expenses		<b>(110,986)</b>	(97,885)	<b>(57,606)</b>	(50,378)
Finance costs	5	<b>(9,754)</b>	(4,157)	<b>(5,575)</b>	(2,304)
Share of (loss)/profit of joint ventures		<b>(3,743)</b>	(1,422)	<b>353</b>	(1,451)
Share of (loss)/profit of associates		<b>(4,230)</b>	32,332	<b>130</b>	4,325
Profit before taxation	6	<b>558,029</b>	501,767	<b>304,095</b>	241,112
Income tax expense	7	<b>(82,684)</b>	(71,872)	<b>(44,025)</b>	(38,991)
Profit for the Period		<b>475,345</b>	429,895	<b>260,070</b>	202,121

	Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
Notes	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Other comprehensive income				
Exchange difference on translation of foreign operations	<b>1,115</b>	(15,293)	<b>(34)</b>	(16,412)
Total comprehensive income for the Period	<b>476,460</b>	414,602	<b>260,036</b>	185,709
Profit for the Period attributable to:				
Owners of the Company	<b>472,901</b>	429,471	<b>256,947</b>	201,149
Non-controlling interest	<b>2,444</b>	424	<b>3,123</b>	972
	<b>475,345</b>	429,895	<b>260,070</b>	202,121
Total comprehensive income attributable to:				
Owners of the Company	<b>474,016</b>	414,178	<b>256,913</b>	184,737
Non-controlling interest	<b>2,444</b>	424	<b>3,123</b>	972
	<b>476,460</b>	414,602	<b>260,036</b>	185,709
Earnings per share – Basic	<b>RMB 0.106</b>	RMB 0.096	<b>RMB 0.057</b>	RMB 0.045

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>As at 30 June 2014 (Unaudited) RMB'000</b>	As at 31 December 2013 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>4,254,005</b>	3,948,375
Investment properties		<b>31,122</b>	10,109
Deposits paid for acquiring property, plant and equipment		<b>99,798</b>	83,323
Prepaid lease payments	12	<b>514,809</b>	514,693
Intangible assets		<b>14,888</b>	16,705
Interest in joint ventures	13	<b>103,534</b>	107,277
Interest in associates	14	<b>124,228</b>	128,458
Goodwill		<b>202,900</b>	202,900
Deferred income tax assets		<b>21,825</b>	22,834
		<b>5,367,109</b>	5,034,674
<b>Current assets</b>			
Inventories	15	<b>879,273</b>	866,356
Trade and other receivables	16	<b>2,516,277</b>	2,227,947
Available-for-sale investments		–	40,000
Pledged bank deposits	17	<b>84,342</b>	143,496
Bank balances and cash	18	<b>2,831,734</b>	2,975,623
		<b>6,311,626</b>	6,253,422
<b>Current liabilities</b>			
Trade and other payables	19	<b>1,917,853</b>	1,747,783
Bank borrowings			
– repayable within one year		<b>170,200</b>	300,200
Taxation payable		<b>41,547</b>	34,319
		<b>2,129,600</b>	2,082,302
<b>Net current assets</b>			
		<b>4,182,026</b>	4,171,120
		<b>9,549,135</b>	9,205,794

		<b>As at 30 June 2014 (Unaudited) RMB'000</b>	As at 31 December 2013 (Audited) RMB'000
Capital and reserves			
Share capital	20	<b>447,637</b>	447,637
Reserves	21	<b>8,935,163</b>	<u>8,592,708</u>
Equity attributable to owners of the Company		<b>9,382,800</b>	9,040,345
Non-controlling interest		<b>25,031</b>	<u>22,587</u>
Total equity		<b>9,407,831</b>	<u>9,062,932</u>
Non-current liability			
Bank borrowings			
– repayable after one year		<b>99,600</b>	99,700
Deferred income		<b>41,704</b>	<u>43,162</u>
		<b>141,304</b>	<u>142,862</u>
		<b>9,549,135</b>	<u>9,205,794</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited For the six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Net cash inflow generated from operating activities	<b>345,850</b>	271,828
Net cash outflow used in investing activities	<b>(341,006)</b>	(482,887)
Net cash inflow/(outflow) before financing activities	<b>4,844</b>	(211,059)
Net cash (outflow)/inflow from financing activities	<b>(143,274)</b>	209,313
Net decrease in cash and cash equivalents	<b>(138,430)</b>	(1,746)
Bank balances and cash as at beginning of Period	<b>2,975,623</b>	1,297,856
Effect of foreign exchange rate changes, net	<b>(5,459)</b>	(33,936)
Bank balances and cash as at end of Period	<b>2,831,734</b>	1,262,174

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Balance as at 1 January	<b>9,040,345</b>	8,910,993
Net profit for the Period	<b>472,901</b>	429,471
Dividends paid	<b>(131,561)</b>	–
Exchange gains and losses arising from foreign currency transactions	<b>1,115</b>	(15,293)
Balance as at 30 June	<b><u>9,382,800</u></b>	<u>9,325,171</u>



*NOTES:*

**1. General**

The Company was incorporated as a joint stock company with limited liability on 28 December 2000 in Shandong Province, the People's Republic of China (the "PRC") under the Company Law of the PRC. 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 were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 27 February 2004 and the listing status was withdrawn from 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 No. 34 "Interim Financial Reporting" of Hong Kong Accounting Standard ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants, the accounting principles generally accepted in Hong Kong, Hong Kong Financial Reporting Standards and the relevant applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The accounts are prepared under the historical cost convention.

The accounting policies adopted and methods of computation used in the preparation of these consolidated financial information are consistent with those used in the preparation of the financial statements for the year ended 31 December 2013.

The Group has applied various new and amended Hong Kong Financial Reporting Standards and HKAS (collectively referred to 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 2014 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 2013.

### **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 device products, orthopaedic products and 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 for allocating resources to the segments and assess their performance.

The principal activities of the Group's operating segments are as follows:

Single-use medical device products	–	production and sale of single-use consumables such as infusion sets, needles, syringes, pre-filled syringes, blood bags and wound management products.
Orthopaedic products	–	production and sale of orthopaedic products.
Blood purification products	–	production and sale of blood purification products and related medical equipment.

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

#### For the six months ended 30 June 2014

	Single-use medical device products RMB'000	Orthopaedic products RMB'000	Blood purification products RMB'000	Eliminations RMB'000	Total RMB'000
Revenue					
External sales	1,928,377	300,281	315,907	–	2,544,565
Inter-segment sales	6,847	–	920	(7,767)	–
Total	1,935,224	300,281	316,827	(7,767)	2,544,565
Segment profit	382,924	136,638	25,155	–	544,717
Unallocated expenses					(503)
Unallocated other income, gain and losses					21,788
Share of profit of joint ventures					(3,743)
Share of profit of associates					(4,230)
Profit before taxation					558,029

For the six months ended 30 June 2013

	Single-use medical device products RMB'000	Orthopaedic products RMB'000	Blood purification products RMB'000	Eliminations RMB'000	Total RMB'000
Revenue					
External sales	1,659,571	260,042	242,443	-	2,162,056
Inter-segment sales	4,777	-	181	(4,958)	-
Total	<u>1,664,348</u>	<u>260,042</u>	<u>242,624</u>	<u>(4,958)</u>	<u>2,162,056</u>
Segment profit	<u>297,432</u>	<u>137,327</u>	<u>16,069</u>	<u>-</u>	450,828
Unallocated expenses					(229)
Unallocated other income, gain and losses					20,258
Share of profit of joint ventures					(1,422)
Share of profit of associates					<u>32,332</u>
Profit before taxation					<u>501,767</u>

## 5. Finance costs

Finance costs for the three months and six months ended 30 June 2014 were RMB5,575,000 and RMB9,754,000 respectively (same periods in 2013: RMB2,304,000 and RMB4,157,000 respectively), which mainly included interest expenses on bank and other borrowings.

## 6. Profit before taxation

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Profit before taxation has been arrived at after charging (crediting) the followings:		
Allowances for bad and doubtful debts	<b>16,529</b>	14,286
Amortization of intangible assets (included in administration expenses)	<b>1,817</b>	1,817
Depreciation of property, plant and equipment	<b>111,367</b>	77,203
Depreciation of investment properties	<b>503</b>	229
Prepaid lease payments charged to profit or loss	<b>6,033</b>	5,176
Rental payments in respect of premises under operating leases	<b>8,313</b>	6,451
Research and development expenditure	<b>110,986</b>	97,885
Cost of inventory recognized as expenses	<b>1,047,990</b>	880,428
Staff costs, including directors' and supervisors' remuneration		
Retirement benefits scheme contribution	<b>92,664</b>	70,390
Salaries and other allowances	<b>313,468</b>	283,425
Total staff costs	<b>406,132</b>	353,815
Losses from foreign exchange, net	<b>5,459</b>	33,936
Losses on disposal of property, plant and equipment	<b>23</b>	56
Interest income	<b>(17,609)</b>	(2,443)
Rental income from investment properties	<b>(2,486)</b>	(891)
Rebate of value-added tax	<b>(19,183)</b>	(19,413)

*Note:* Weihai Jierui Medical Products Company Limited (威海潔瑞醫用製品有限公司) (“Jierui Subsidiary”) was recognized as a “Social Welfare Entity”, and under the “payment then refund” principle, Weihai Municipal Government had granted Jierui 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 value-added tax 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. Income tax expense**

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 Ministry of Finance and the State Administration of Taxation 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 are subject to income tax at a 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 2014 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 2014 is computed at a tax rate of 15%.

Taxation for other PRC subsidiaries is computed at a tax rate of 25% (2013: 25%).

No provision of Hong Kong taxation had been made for Weigao International Medical Co., Ltd., Weigao 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 2014, net profit attributable to owners of the Group were approximately RMB256,947,000 and RMB472,901,000 (same periods in 2013: approximately RMB201,149,000 and RMB429,471,000 respectively) respectively.

## **9. Dividends**

The Board recommends the distribution of an interim dividend of RMB0.031 per share for the six months ended 30 June 2014 (same period in 2013: RMB0.029 per share).

## **10. Earnings per share**

For the three months and six months ended 30 June 2014, basic earnings per share were calculated based on the net profits attributable to shareholders of approximately RMB256,947,000 and RMB472,901,000 (same periods in 2013: approximately RMB201,149,000 and RMB429,471,000 respectively) respectively and the weighted average total number of shares of 4,476,372,324 shares and 4,476,372,324 shares (same periods in 2013: 4,476,372,324 shares and 4,476,372,324 shares) respectively.

For the three months and six months ended 30 June 2014, diluted earnings per share were not presented as there were no potential dilutive shares during the periods.



## 11. Property, plant and equipment

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office RMB'000	Total RMB'000
COST						
As at 1 January 2013	1,957,359	586,878	991,084	53,177	161,223	3,749,721
Additions	740,706	1,245	85,498	11,787	108,798	948,034
Transfer	(932,755)	789,837	108,907	745	33,266	-
Transfer from investment properties	-	783	-	-	-	783
Disposals	-	(1,091)	(1,191)	(2,112)	(14,571)	(18,965)
As at 31 December 2013	1,765,310	1,377,652	1,184,298	63,597	288,716	4,679,573
Additions	368,044	15	32,664	7,636	33,128	441,487
Transfer	(377,681)	299,612	64,164	-	13,905	-
Transfer from investment properties	-	9,956	-	-	-	9,956
Transfer to investment properties	-	(29,426)	-	-	-	(29,426)
Disposals	-	-	(2,942)	(2,963)	(2,196)	(8,101)
As at 30 June 2014	1,755,673	1,657,809	1,278,184	68,270	333,553	5,093,489
Depreciation						
As at 1 January 2013	2,314	117,903	313,880	29,477	87,898	551,472
Provided for the year	-	29,631	100,560	8,263	46,020	184,474
Eliminated on disposals	-	(39)	(538)	(2,128)	(2,710)	(5,415)
Transfer to investment properties	-	667	-	-	-	667
As at 31 December 2013	2,314	148,162	413,902	35,612	131,208	731,198
Provided for the year	-	24,058	57,130	3,239	26,940	111,367
Transfer from investment properties	-	2,990	-	-	-	2,990
Transfer to investment properties	-	(944)	-	-	-	(944)
Eliminated on disposals	-	-	(1,712)	(2,230)	(1,185)	(5,127)
As at 30 June 2014	2,314	174,266	469,320	36,621	156,963	839,484
Carrying values						
As at 30 June 2014	1,753,359	1,483,543	808,864	31,649	176,590	4,254,005
As at 31 December 2013	1,762,996	1,229,490	770,396	27,985	157,508	3,948,375

## 12. Prepaid lease payments

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
The Group's prepaid lease payments comprise:		
Leasehold land in PRC		
Medium-term lease	<b>526,323</b>	526,176
Analysed for reporting purposes as:		
Current portion	<b>11,514</b>	11,483
Non-current portion	<b>514,809</b>	514,693
	<b>526,323</b>	526,176

## 13. Interests in joint ventures

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
			<b>30 June 2014</b>	31 December 2013	
Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd. ("Weigao Nikkiso")	Incorporated	PRC	<b>51%</b>	51%	Manufacture, sale and after-sale service of Nikkiso technology based medical products.
Weigao Terumo (Weihai) Medical Products Co., Ltd. ("Weigao Terumo")	Incorporated	PRC	<b>50%</b>	50%	Manufacturing and sale of medical products

Cost of unlisted investment, at cost  
Share of post-acquisition loss

<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
<b>117,990</b>	117,990
<b>(14,456)</b>	(10,713)
<b><u>103,534</u></b>	<u>107,277</u>

#### 14. Interest in associates

Name	Form of business structure	Place of incorporation or registration/ operation	Attributable equity interest directly held by the Company		Principal activities
			<b>30 June 2014</b>	31 December 2013	
Medtronic Weigao Orthopaedic Device Company Limited	Incorporated	PRC	<b>49%</b>	49%	Sale and distribution of orthopaedic medical device products

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
Cost of unlisted investment in an associate, at cost	—	—
Realised gain arising from the establishment of an associate	<b>72,314</b>	72,314
Share of post-acquisition profit and other comprehensive income, net of dividends received	<b>51,914</b>	56,144
	<b>124,228</b>	128,458

#### 15. Inventories

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
Raw materials	<b>174,487</b>	151,275
Finished goods	<b>704,786</b>	715,081
	<b>879,273</b>	866,356

## 16. Trade and other receivables

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
0 to 90 days	<b>1,153,702</b>	942,730
91 to 180 days	<b>497,974</b>	451,881
181 to 365 days	<b>299,581</b>	277,395
Over 365 days	<b>56,606</b>	76,280
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Trade receivables	<b>2,007,863</b>	1,748,286
Bills receivables	<b>312,145</b>	327,485
Other receivables	<b>65,556</b>	44,905
Prepayments	<b>117,449</b>	94,038
Other receivables – receivable within one year	<b>1,750</b>	1,750
Prepaid lease payments	<b>11,514</b>	11,483
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	<b>2,516,277</b>	2,227,947
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## 17. Pledged bank deposits

The amounts represented deposits pledged to banks to secure the banking facilities granted to the Group. The amounts had been pledged to secure against the short term bank loans and banking facilities and are therefore classified as current assets. The deposits carry interest rates of 0.385% to 3.03% (same periods in 2013: 0.35% to 3.05%) per annum.

## 18. Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of one year or less. The maximum fixed interest rate for those deposits was ranging from 0.385% to 3.3% (same periods in 2013: 0.35% to 3.3%) per annum. The fair values of bank deposits as at 30 June 2014 were approximated to their corresponding carrying amounts.

## 19. Trade and other payables

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
0 to 90 days	<b>605,382</b>	612,063
91 to 180 days	<b>72,350</b>	89,370
181 to 365 days	<b>37,356</b>	38,662
Over 365 days	<b>10,938</b>	11,320
	<hr/>	<hr/>
Trade payables	<b>726,026</b>	751,415
Bills payables	<b>252,240</b>	238,840
Advances from customers	<b>42,457</b>	64,030
Other tax payables	<b>47,170</b>	69,364
Consideration for the acquisition of additional interest in a subsidiary	<b>22,000</b>	22,000
Construction cost and retention payable	<b>88,831</b>	102,138
Other payables	<b>739,129</b>	499,996
	<hr/>	<hr/>
	<b>1,917,853</b>	1,747,783
	<hr/> <hr/>	<hr/> <hr/>

## 20. Share capital

	Nominal value of each share	Number of non-listed Shares	Number of H Shares	Total number of Shares	Value
	RMB				RMB'000
As at 1 January 2013	0.1	<u>2,592,640,000</u>	<u>1,883,732,324</u>	<u>4,476,372,324</u>	<u>447,637</u>
As at 31 December 2013	0.1	<u>2,592,640,000</u>	<u>1,883,732,324</u>	<u>4,476,372,324</u>	<u>447,637</u>
As at 30 June 2014	0.1	<u>2,592,640,000</u>	<u>1,883,732,324</u>	<u>4,476,372,324</u>	<u>447,637</u>

## 21. Movements in reserves

	Share capital	Share premium reserve	Statutory surplus reserve	Translation reserve	Other reserve	Retained surplus	Total	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2013	447,637	2,478,544	255,658	(22,401)	2,661	5,748,894	8,910,993	9,422	8,920,415
Profit for the year	-	-	-	-	-	387,984	387,984	(305)	387,679
Exchange differences arising on translation of foreign operations									
– subsidiaries	-	-	-	(1,105)	-	-	(1,105)	-	(1,105)
– associates	-	-	-	(47,824)	-	-	(47,824)	-	(47,824)
Reclassified to loss on disposal of an associate	-	-	-	69,054	(1,222)	-	67,832	-	67,832
Total comprehensive income for the year	-	-	-	20,125	(1,222)	387,984	406,887	(305)	406,582
Injection from minority shareholders	-	-	-	-	-	-	-	13,470	13,470
Dividends paid	-	-	-	-	-	(277,535)	(277,535)	-	(277,535)
As at 31 December 2013	447,637	2,478,544	255,658	(2,276)	1,439	5,859,343	9,040,345	22,587	9,062,932
Profit for the Period	-	-	-	-	-	472,901	472,901	2,444	475,345
Exchange differences arising on translation of foreign operations									
– subsidiaries	-	-	-	1,115	-	-	1,115	-	1,115
Total comprehensive income for the Period	-	-	-	1,115	-	472,901	474,016	2,444	476,460
Dividends paid	-	-	-	-	-	(131,561)	(131,561)	-	(131,561)
As at 30 June 2014	447,637	2,478,544	255,658	-1,161	1,439	6,200,683	9,382,800	25,031	9,407,831

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 overseas companies) 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 the 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 to 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 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 2014, the retained earnings available for distribution to shareholders was approximately RMB2,211,622,000.



## MANAGEMENT DISCUSSION AND ANALYSIS

### International collaboration

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

During the Period, Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd, (“Weigao Nikkiso”), a joint venture company established with Nikkiso Co., Ltd performed well. Weigao Nikkiso produces haemodialysis machines and provides after-sales services in China. Weihai Weigao Blood Purification Products Company Limited (“Weigao BP”) distributes haemodialysis machines produced by Weigao Nikkiso in the China market. The collaboration leverages on the complementary strengths of the two partners and it has further strengthened the Group’s competitive position in the blood purification segment. It also lays a solid foundation for the business expansion of the Group in the blood purification market in China. Profit from Weigao Nikkiso attributable to the Group for the six months ended 30 June 2014 amounted to approximately RMB2,770,000 (same period in 2013: attributable profit of approximately RMB1,804,000).

In 2012, the Group established a joint venture company named Weigao Terumo (Weihai) Medical Products Co., Ltd (“Weigao Terumo”) engaging in peritoneal dialysis business with Terumo Corporation and Terumo (China) Holding Co. Ltd. Weigao Terumo intends to engage in the production and sales of peritoneal dialysis related devices in the PRC. Weigao BP, a subsidiary of the Company, holds 50% equity interests of Weigao Terumo. As at the date of this report, the preliminary work for production and sale of Weigao Terumo was underway smoothly. Loss from Weigao Terumo attributable to the Group for the six months ended 30 June 2014 amounted to approximately RMB6,513,000 (same period in 2013: attributable loss of approximately RMB3,226,000).

During the Period, the dissolution procedure of the Distribution Joint Venture with Medtronic in orthopaedic products was in progress. The division and transfer of its principal assets, personnel, markets and business operation had been completed. During the Period, loss from the Distribution Joint Venture attributable to the Group amounted to approximately RMB4,230,000 (same period of last year: approximately RMB nil).

## Optimization adjustments to product mix

During the Period, the gross profit margin of the Group decreased to 58.8% from 59.3% in the same period last year, which was mainly attributable to the impact from the increase in the proportion of sale of blood purification product to total sale, continuous increase in labour costs and the increase in relocation costs. The Group also adopted counter measures and strived to improve the operation and management efficiency through on-going product mix optimization and continuous technological enhancement to mitigate the pressure of rising costs.

During the Period, the percentage of turnover from high value-added products (products with gross profit margins of over 60%) of the Group to the total turnover was 52.9% (same period last year: 52.1%). The performance of the Group in three business segments was as follows:

1. Consumables: During the Period, the principal products segment of the Group achieved a turnover of approximately RMB1,928,377,000, representing an increase of 16.2% over same period last year.

During the Period, the needle products of the Group recorded a turnover of approximately RMB377,873,000, representing an increase of 7.6% when compared with the same period last year.

During the Period, the Group's all infusion set products, including specialized infusion set with dosage control device and infusion sets made of proprietary non PVC based material, recorded sales of approximately RMB695,036,000, representing an increase of 17.7% over the same period last year. Among which, pre-filled flush syringes were launched during the first quarter of 2014, driving an increase of 2.7% in product sales.

During the Period, the glass tube production line for pre-filled syringes was operating smoothly. The Company has established a leading position in domestic market share in pre-filled syringes. The turnover of pre-filled syringes for the Period amounted to approximately RMB138,120,000, representing an increase of 28.9% over the same period last year.

2. The blood purification business of Weigao BP, a subsidiary of the Company, had achieved rapid growth. During the Period, it recorded a turnover of approximately RMB315,907,000, representing an increase of 30.3% when compared with the same period last year. Haemodialysis consumable products recorded a turnover of approximately RMB262,289,000, representing an increase of 36.5% when compared with the same period last year. Haemodialysis machine recorded a turnover of approximately RMB53,618,000, representing an increase of 6.7% when compared with the same period last year. During the Period, the third dialyser production line had been put into trial production, and the fourth production line is expected to be put into operation by the end of this year with a planned annual production capacity of 8,000,000 pieces of dialysers.
3. Orthopaedic business recorded a turnover of approximately RMB300,281,000, representing an increase of 15.5% as compared with the same period last year. During the Period, it has established stable sales channels and new products like PEEK rods were launched during the first half year. Excluding the impact of OEM business and the postponement of orders to 2013 due to the dissolution of the Distribution Joint Venture in the fourth quarter of 2012, the turnover of orthopaedic business increased by 25.8% when compared with the same period last year.

The Group disposed of all the equity interests of Biosensors it held in the fourth quarter last year and profit and losses of all transactions were recorded. The performance of Biosensors was no longer had any impact on the Group's performance for the current period (profit attributable to the Group of the same period in 2013 amounted to approximately RMB32,332,000).

## **RESEARCH AND DEVELOPMENT**

For the six months ended 30 June 2014, the Group obtained 23 new patents and 64 new patents are under application. Product registration certificates for 26 new products were obtained. The research and development for 34 products were completed for which application for product registration certificates are underway.

The strategy of placing strong emphasis on research and development has enhanced the Company's competitiveness and laid a solid foundation for the Company to fully leverage on its customer resources and provided the Group with continuous new profit growth drivers.

As at 30 June 2014, the Group had over 320 product registration certificates and over 320 patents, of which 42 were patents on invention.

In view of the need for the strategic adjustments to product mix, the Group continued to invest 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. For the six months ended 30 June 2014, total research and development expenses amounted to approximately RMB110,986,000 (2013: RMB97,885,000), representing 4.4% (same period in 2013: 4.5%) of the turnover of the Group.

## **PRODUCTION**

During the Period, The Group completed the relocation of the main production facilities (including those workshops for pre-filled syringes and Jierui Company) and those ancillary facilities including warehouse and office building from the original production plant to the new industrial zone, and these facilities had been put into operation 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 of low value-added products with low rate of returns. This enhanced the contribution rate for each type of products and improved the overall profitability of the Company.

## **SALES AND MARKETING**

The Group persisted to implement the strategy in integrating its sales channels and adjusting its product mix. For the six months ended 30 June 2014, the Group newly added 13 hospitals, 5 other medical institutions and 22 distributors to its customer base. As at the date of this report, the Group has a customer base of 5,199 (including 3,103 hospitals, 414 blood stations, 616 other medical units and 1,066 distributors).

Sales comparison by geographical regions for the Period when compared with the same period last year is set out as follows:

## TURNOVER BY GEOGRAPHICAL SEGMENTS

Region	2014		2013		Growth
	RMB'000	%	RMB'000	%	%
Eastern and Central	<b>1,063,094</b>	<b>41.8</b>	900,192	41.6	18.1
Northern	<b>541,667</b>	<b>21.3</b>	469,700	21.7	15.3
Northeast	<b>287,588</b>	<b>11.3</b>	245,246	11.4	17.3
Southern	<b>247,986</b>	<b>9.7</b>	194,245	9.0	27.7
Southwest	<b>220,342</b>	<b>8.7</b>	178,148	8.2	23.7
Northwest	<b>78,476</b>	<b>3.1</b>	72,838	3.4	7.7
Overseas	<b>105,412</b>	<b>4.1</b>	101,687	4.7	3.7
Total	<b>2,544,565</b>	<b>100.0</b>	2,162,056	100.0	17.7

The integration of sales channels has strengthened the Group's market penetration and influence over the direct sales to high-end customers. It enhanced sales contribution per customer and average sales per customer increased by approximately 13.7% when compared with last year. It continued to drive up the product penetration to high-end customers and is an important way to generate revenue growth of the Group.

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 and high valued added infusion sets. It had increased the proportion of sales generated from high value-added products. Comparison of sales revenue of principal products with that in last year is as follows:

Product category	For the six months ended 30 June			For the three months ended 30 June		
	2014 RMB'000	2013 RMB'000	over corresponding period %	2014 RMB'000	2013 RMB'000	over corresponding period %
<b>Single-use consumables</b>						
Infusion sets	695,036	590,688	17.7	381,512	304,008	25.5
Needles	377,873	351,063	7.6	198,313	182,644	8.6
Syringes	319,255	278,175	14.8	165,077	144,979	13.9
Pre-filled syringes	138,120	107,124	28.9	61,269	62,745	(2.4)
Blood bags	124,762	107,092	16.5	70,252	58,116	20.9
Wound management	45,967	35,733	28.6	25,910	21,303	21.6
Blood sampling products	40,667	36,214	12.3	24,368	21,115	15.4
PVC granules	23,720	35,342	(32.9)	13,677	20,168	(32.2)
Other consumables	162,977	118,140	38.0	94,718	61,890	53.0
<b>Subtotal for single-use consumables</b>	<b>1,928,377</b>	<b>1,659,571</b>	<b>16.2</b>	<b>1,035,096</b>	<b>876,968</b>	<b>18.0</b>
Orthopaedic products	300,281	260,042	15.5	159,950	132,414	20.8
Blood purification consumables	262,289	192,172	36.5	144,863	106,511	36.0
Blood purification equipments	53,618	50,271	6.7	36,632	33,487	9.4
Total	<b>2,544,565</b>	<b>2,162,056</b>	<b>17.7</b>	<b>1,376,541</b>	<b>1,149,380</b>	<b>19.8</b>

## HUMAN RESOURCES

As at 30 June 2014, the Group employed a total of 9,661 employees. The breakdown by departments when compared with last year is as follows:

<b>Department</b>	<b>As at 30 June 2014</b>	As at 31 December 2013
Production	<b>5,829</b>	5,660
Sales and marketing	<b>2,219</b>	2,085
Research and development	<b>968</b>	927
Finance and administration	<b>367</b>	359
Quality control	<b>145</b>	143
Management	<b>91</b>	89
Purchasing	<b>42</b>	41
	<hr/>	<hr/>
Total	<b>9,661</b>	9,304
	<hr/> <hr/>	<hr/> <hr/>

Save for the five employees (including the company secretary) who are resided in Hong Kong and Europe, other employees of the Group are resided in Mainland China. During the Period, total costs of staff salaries, welfare and social benefits of the Group amounted to approximately RMB406,132,000 (for the same period of 2013: RMB353,815,000).



## **Remuneration System**

The Group's remuneration policy has been determined based on its performance, the local consumption power and competition in human resources market. The remuneration policy so determined has become the basis of determining the salary level 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 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 requires approval by shareholders at annual general meeting.

## **FINANCIAL REVIEW**

For the six months ended 30 June 2014, the Group recorded a turnover of approximately RMB2,544,565,000, representing an increase of 17.7% over the same period last year, and net profit attributable to shareholders was approximately RMB472,901,000, representing an increase of approximately 10.1% as compared with approximately RMB429,471,000 for the same period last year. Net profit attributable to owners of the Company excluding extraordinary items was approximately RMB477,131,000 (for the same period of 2013: approximately RMB397,139,000), representing an increase of approximately 20.1% over the same period of the previous year.

## **Liquidity and Financial Resources**

The Group has maintained a sound financial position. As at 30 June 2014, the Group's cash and bank balance amounted to approximately RMB2,831,734,000. For the six months ended 30 June 2014, net cash flow from operating activities of the Group amounted to approximately RMB345,850,000. The Group has maintained a sound cash flow position.

For the six months ended 30 June 2014, total interest expenses of the Group were approximately RMB9,754,000 (for the same period of 2013: RMB4,157,000).

### **Gearing Ratio**

As at 30 June 2014, total net cash of the Group amounted to approximately RMB2,561,934,000 (for the same period of 2013: RMB1,062,174,000).

### **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 2014, the Group had not encountered any material difficulty due to currency fluctuation nor had it affected its funds for operation purpose. For the six months ended 30 June 2014, the Group had no significant exposure to foreign exchange fluctuation nor hedging for such risk.

Due to the change in exchange rates, foreign exchange loss equivalent to RMB5,459,000 (for the same period of 2013: foreign exchange loss equivalent to RMB33,936,000) for the six months ended 30 June 2014 was recognized by the Company.

### **Contingent Liabilities**

The Group had no material contingent liabilities as at 30 June 2014.

### **Material Investments in Subsidiaries/Future Material Investment Plans**

1. During the Period, the Group invested RMB460,720,000 on plant relocation, construction and equipment investment to expand its production capacity.

2. The Group planned to invest RMB390,000,000 in 2015 to 2016 to construct the fifth production line for dialyser, with an additional yearly capacity of 8,000,000 pieces. It is planned to invest RMB25,000,000 in 2015 to construct the fourth production line for tubing, with an additional yearly capacity of 12,000,000 pieces.
3. The Group planned to invest RMB80,000,000 in 2015 to continue the capacity expansion of the irradiation sterilization workshop.
4. The Group planned to invest RMB30,000,000 in 2015 to construct a new production line for intravenous catheter needles, with an additional capacity of 25,000,000 pieces.
5. The Group planned to invest RMB60,000,000 in 2016 to purchase a new production line for pre-filled syringes, with an additional capacity of 36,000,000 pieces. It is expected to put into production in 2017.

Save for the above material investments 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 2014, and there was no material acquisition and disposal in any other subsidiaries and associates since this year.

As at 30 June 2014, the capital commitment that the Group and the Company had contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment amounted to approximately RMB494,259,000 (for same period of 2013: RMB754,662,000).

## Review and Outlook

During the Period, the Company maintained a good development momentum of its core businesses including infusion sets, syringes, orthopedic products and dialysers. The new products of orthopaedic and infusion set segments were successfully launched. Sales restructuring completed last year and has been running under the new structure. Management enhancement by the Company partially offset the adverse impact on costs due to plant relocation. However, for the product series of intravenous catheter and dialysis machine, the Company encountered intensifying competition in the market resulting in slow down in sales growth and thus affected the achievement of overall budgeted sales plan of the Company.

Looking forward, in view of the rapid development of the medical device market and intensifying competition, together with new factory relocation and increase in wage costs, retaining talents as well as profitability of conventional products of the Company, the Group will place emphasis on the followings:

1. Implementing a long term incentive scheme for employees to share the success of the Group. The Group will continue to offer competitive salary and fringe benefits packages to retain and expand the work force.
2. Continue to intensify more efforts in the research and development of new products to facilitate the adjustment of product sales mix. At the same time, the Group will continuously upgrade product functionality and enhance market competitiveness of our products.
3. Further increase our efforts in market penetration, formulate customer-based development solutions, increase efforts in providing professional training to our customers, increase resources deployment in marketing and enhance the brand awareness of Weigao to increase the sales network coverage and market share of product lines, and thereby consolidate and expand overall market share.

4. Conduct synergistic procurement and sales to reduce procurement and distribution costs; continue to enhance the investments in technological enhancement, and improve automation standard with an objective of assimilating pressures of rising costs from new factory relocation and labour costs.
5. Strengthen management capability in strategy and mergers and acquisitions, fully capitalise on the customer resource strengths in the PRC high-end market, promote international collaboration through joint venture, co-operation, technology transfer, and acquisitions and mergers; introduce technologies and further expand product categories to consolidate the competitive strengths of the various product lines of the Company, and to gradually expand the international market share of existing products.

With the launching of long-term talent incentive scheme and the launching of more upgraded products and mass productions of new product series, as well as increasing resources on marketing, 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.

## **PROPOSED INTERIM DIVIDEND**

The Board of Directors (the "Board") recommended the distribution of an interim dividend of RMB0.031 (for the same period of 2013: RMB0.029) per share for the six months ended 30 June 2014. Such proposal is subject to the approval by the shareholders of the Company (the "Shareholders") at the forthcoming extraordinary general meeting (the "Extraordinary General Meeting"). Please refer to our circular dated 30 September 2014 for details relating to the proposed interim dividend, including the date of the Extraordinary General Meeting and the period of closure of register of members of the Company for determining the attendance of the Extraordinary General Meeting and entitlement to the proposed interim dividend.

## DISCLOSURE OF INTERESTS

### Directors' Interests and Long Positions in Shares

As at 30 June 2014, the interests of Directors and their associates in the shares, underlying shares and debentures of the Company and 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 non-listed shares of RMB0.10 each of the Company:

<b>Name of Director</b>	<b>Types of interests</b>	<b>Capacity</b>	<b>Total number of non-listed shares</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Mr. Zhang Hua Wei	Personal	Beneficial owner	32,400,000	0.72%
Mr. Wang Yi	Personal	Beneficial owner	23,400,000	0.52%
Mrs. Zhou Shu Hua	Personal	Beneficial owner	15,300,000	0.34%

In addition, Mr. Chen Lin, son of Mr. Chen Xue Li, the Chairman, is the holder 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 Company Limited, an associated corporation of the Company:

<b>Name of Director</b>	<b>Capacity</b>	<b>Total amount of capital contributed</b>	<b>Approximate percentage of the registered capital of Weigao Holding</b>
Mr. Chen Xue Li	Beneficial owner	45,079,000	36.95%
Mr. Zhang Hua Wei	Beneficial owner	24,400,000	20.00%
Mrs. Zhou Shu Hua	Beneficial owner	12,200,000	10.00%
Mr. Wang Yi	Beneficial owner	7,320,000	6.00%

Other than as disclosed above, none of the Directors and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at the date of this report.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2014, 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 their relevant interest in the non-listed shares of the issued share capital of the Company.

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of non-listed shares</b>	<b>Number of H shares</b>	<b>Approximate percentage of the Company's non-listed shares</b>	<b>Approximate percentage of the Company's total issued share capital</b>
Weigao Holding Company Limited	Beneficial owner	2,159,755,676	–	83.3%	48.2%

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

<b>Names of Substantial Shareholders</b>	<b>Number of H shares interested</b>	<b>Percentage of issued H share capital</b>
JP Morgan Chase & Co.	245,246,545 (L)	13.01 (L)
	3,822,000 (S)	0.20 (S)
	227,358,441 (P)	12.06 (P)
OppenheimerFunds, Inc.	196,632,000 (L)	10.44 (L)
Oppenheimer Developing Markets Fund	175,850,000 (L)	9.34 (L)
Franklin Angus	170,123,923 (L)	9.03 (L)
Baillie Gifford & Co	169,715,923 (L)	9.01 (L)
McCombie Iain	169,715,923 (L)	9.01 (L)
Plowden Charles	169,715,923 (L)	9.01 (L)
Tait Anthony	169,715,923 (L)	9.01 (L)
Telfer Andrew	169,715,923 (L)	9.01 (L)
Warden Alison	169,715,923 (L)	9.01 (L)
Tait Anthony	132,076,000 (L)	7.01 (L)
Telfer Andrew	132,076,000 (L)	7.01 (L)
Plowden Charles	118,388,000 (L)	6.28 (L)
Capital Research and Management Company	114,662,000 (L)	6.09 (L)
Schroders Plc	95,641,481 (L)	5.08 (L)
BlackRock, Inc.	94,621,004 (L)	5.02 (L)
	18,116,000 (S)	0.96 (S)

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



## MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2014, the largest supplier of the Group and the other four largest suppliers accounted for 5.9% and 17.4% respectively of the Group's total purchases.

For the six months ended 30 June 2014, the largest customer of the Group and the other four largest customers accounted for 1.0% and 3.4% respectively of the Group's total sales.

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.

## CORPORATE GOVERNANCE

The Board of Directors of the Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability and is committed to the maintenance of good corporate governance practices and procedures.

During the Period, the Company has also applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices and Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), except for the deviation that Code Provision A4.1 which stipulates that non-executive directors should be appointed for a specific term. Independent non-executive directors do not have a specific term of appointment, but subject to retirement by rotation and re-election at the annual general meeting.

## **Board of Directors**

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of overall business strategies, internal control and risk management systems, and monitoring the performance of the senior management. The management is responsible for the daily operations of the Group under the leadership of the CEO. The Directors have the responsibility to act objectively in the interests of the Company.

Currently, the Board comprises 10 Directors, including four executive Directors, two non-executive Directors and four independent non-executive Directors.

In compliance of Rule 3.10(1) of the Listing Rules, the Board currently comprises four independent non-executive Directors who are independent under the independence criteria and are capable to effectively exercise independent judgment. Amongst the four independent non-executive Directors, Mr. Lo Wai Hung has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

## **Compliance with the Model Code for Directors' Securities Transactions**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by Directors. The Company has made enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions.

## **Internal Control**

Directors are responsible for reviewing the internal control and risk management system of the Company periodically to ensure its effectiveness and efficiency. With the support of the internal audit department, they will review the practices, procedures, expenditure and internal control of the Company and its subsidiaries on a regular basis. The management will regularly monitor the concerns as reported by the internal audit department to ensure appropriate remedial measures have been implemented. The Board or senior management can also request the internal audit group to review the specific scope of concerns and report the significant findings of such review to the Board and the audit committee.

The Board has conducted a review of the effectiveness of the system of internal control of the Group.

## **Audit Committee**

The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Company. The Audit Committee comprises Mr. Lo Wai Hung, Mr. Li Jia Miao, Mrs. Fu Ming Zhong and Mrs. Wang Jin Xia, 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 2014 have been reviewed by the Audit Committee. The Audit 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the reporting Period.

## **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 2014, 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.

## REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee.

By Order of the Board

**Shandong Weigao Group Medical**

**Polymer Company Limited**

**Chen Xue Li**

*Chairman*

26 August 2014

Weihai, Shandong, the PRC

*As at the date of this report, the Board comprises Executive Directors, namely Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Gong Jian Bo and Mr. Xia Lie Bo, and Non-executive Directors, namely Mr. Chen Xue Li and Mrs. Zhou Shu Hua, and Independent Non-executive Directors, namely Mr. Lo Wai Hung, Mr. Li Jia Miao, Mrs. Fu Ming Zhong and Mrs. Wang Jin Xia.*