

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)

* For identification purposes only



Interim Report 2016

WEGO 威高

SUMMARY

For the six months ended 30 June 2016 (the "Period"), the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB3,195,426,000, representing an increase of approximately 11.1% over approximately RMB2,876,884,000 for the same period last year.

Excluding extraordinary items, net profit attributable to owners of the Company was approximately RMB632,509,000 (same period in 2015 of approximately RMB588,021,000), representing an increase of approximately 7.6% when compared with the same period last year.

The unaudited net profit attributable to the shareholders of the Group for the six months ended 30 June 2016 was approximately RMB385,500,000, representing a decrease of approximately 34.0% over approximately RMB584,374,000 for the same period last year. The total amounts for extraordinary items for the Period were approximately RMB247,009,000, of which RMB238,860,000 was a share-based payment arising from the subscription of Weigao Orthopaedic shares by the orthopaedic management and was a non-cash and one-off item.

During the Period, (1) turnover of single-use consumables was approximately RMB2,351,510,000, representing an increase of approximately 10.7% when compared with the same period last year; (2) turnover of orthopaedic products was approximately RMB340,512,000, representing a decrease of approximately 4.3% when compared with the same period last year; and (3) turnover of blood purification business was approximately RMB503,404,000, representing an increase of approximately 27.1% over the same period last year.

The Board of Directors (the "Board") recommends the distribution of an interim dividend of RMB0.041 per share for the six months ended 30 June 2016 (same period in 2015: RMB0.039 per share). The proposal is subject to the approval by the shareholders of the Company (the "Shareholders") at the forthcoming special general meeting.

UNAUDITED CONSOLIDATED INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016, together with the unaudited comparative figures for the same period in 2015 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		For the six months	
		ended 30 June	
	<i>Notes</i>	2016	2015
		RMB'000	RMB'000
Revenue	3	3,195,426	2,876,884
Cost of sales		(1,259,675)	<u>(1,159,535)</u>
Gross profit		1,935,751	1,717,349
Other income, gain and loss		44,874	50,578
Distribution costs		(842,317)	(747,009)
Administration expenses		(513,005)	(179,891)
Research and development expenses		(143,756)	(134,501)
Finance costs	5	(26,279)	(8,590)
Share of profit of joint ventures		1,525	1,920
Share of profit of an associate		–	402
(Loss) gain on disposal of a subsidiary		(389)	<u>2,535</u>
Profit before taxation	6	456,404	702,793
Income tax expense	7	(89,916)	<u>(99,673)</u>
Profit for the Period		366,488	<u>603,120</u>

**Unaudited
For the six months
ended 30 June**

	<i>Notes</i>	2016 RMB'000	2015 RMB'000
Other comprehensive income			
Exchange difference on translation of foreign operations		3,243	(116)
Total comprehensive income for the Period		369,731	603,004
Profit for the Period attributable to:			
Owners of the Company	8	385,500	584,374
Non-controlling interest		(19,012)	18,746
		366,488	603,120
Total comprehensive income attributable to:			
Owners of the Company		388,743	584,258
Non-controlling interest		(19,012)	18,746
		369,731	603,004
Earnings per share – Basic	10	RMB 0.085	RMB 0.131

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	11	5,186,254	4,965,944
Investment properties		52,300	53,186
Deposits paid for acquiring property, plant and equipment		49,419	45,373
Prepaid lease payments	12	471,841	476,866
Intangible assets		8,919	10,475
Interests in joint ventures	13	109,767	108,241
Available-for-sale investments		25,659	25,659
Goodwill		202,900	202,900
Deferred tax assets		47,147	44,270
Other receivables – receivable after one year		428,999	29,626
		6,583,205	5,962,540
Current assets			
Inventories	14	867,770	850,593
Trade and other receivables	15	3,449,337	2,947,787
Pledged bank deposits	16	125,476	46,173
Bank balances and cash	17	3,814,910	3,712,153
		8,257,493	7,556,706
Current liabilities			
Trade and other payables	18	1,887,041	1,571,379
Borrowings – repayable within one year		400,900	369,900
Taxation payable		59,912	52,920
Deferred income-current portion		8,200	7,436
		2,356,053	2,001,635
Net current assets			
		5,901,440	5,555,071
		12,484,645	11,517,611

		As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Capital and reserves			
Share capital	19	452,233	447,637
Reserves	20	10,967,383	10,210,540
Equity attributable to owners of the Company		11,419,616	10,658,177
Non-controlling interest		287,779	128,646
Total equity		11,707,395	10,786,823
Non-current liability			
Borrowings – repayable after one year		698,000	649,200
Deferred income		79,250	81,588
		777,250	730,788
		12,484,645	11,517,611

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Net cash inflow generated from operating activities	234,435	257,113
Net cash outflow used in investing activities	(377,335)	(524,486)
Net cash (outflow) before financing activities	(142,900)	(267,373)
Net cash inflow from financing activities	244,145	652,113
Net increase in cash and cash equivalents	101,245	384,740
Bank balances and cash as at beginning of Period	3,712,153	2,786,085
Effect of foreign exchange rate changes, net	1,512	188
Bank balances and cash as at end of Period	3,814,910	3,171,013

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Balance as at 1 January	10,658,177	9,847,905
Net profit for the Period	385,500	584,374
Dividends paid	(162,804)	(156,673)
Injection of minority shareholders	188,995	8,165
Issue of shares	101,112	–
Share-based payments	245,393	–
Exchange gains and losses arising from foreign currency transactions	3,243	(116)
Balance as at 30 June	<u>11,419,616</u>	<u>10,283,655</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 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 2015.

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 2016 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 2015.

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, medical 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 2016

	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	2,351,510	340,512	503,404	-	3,195,426
Inter-segment sales	3,614	10	11,644	(15,268)	-
Total	<u>2,355,124</u>	<u>340,522</u>	<u>515,048</u>	<u>(15,268)</u>	<u>3,195,426</u>
Segment profit	<u>515,646</u>	<u>(153,377)</u>	<u>67,168</u>	<u>-</u>	429,437
Unallocated expenses					(886)
Unallocated other income, gain and losses					26,717
Share of profit of joint ventures					1,525
Share of profit of associates					-
Gain on disposal of a subsidiary					(389)
Profit before taxation					<u>456,404</u>

For the six months ended 30 June 2015

	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	2,124,894	355,972	396,018	–	2,876,884
Inter-segment sales	3,867	–	1,825	(5,692)	–
Total	<u>2,128,761</u>	<u>355,972</u>	<u>397,843</u>	<u>(5,692)</u>	<u>2,876,884</u>
Segment profit	<u>486,691</u>	<u>158,678</u>	<u>27,355</u>	<u>–</u>	672,724
Unallocated expenses					(898)
Unallocated other income, gain and losses					26,110
Share of profit of joint ventures					1,920
Share of profit of associates					402
Gain on disposal of a subsidiary					2,535
Profit before taxation					<u>702,793</u>

5. Finance costs

Finance costs for the six months ended 30 June 2016 were approximately RMB26,279,00 (same period in 2015: approximately RMB8,590,000), which mainly included interest expenses on bank and other borrowings.

6. Profit before taxation

	2016	2015
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging (crediting) the followings:		
Allowances for bad and doubtful debts	26,397	21,109
Amortization of intangible assets (included in administration expenses)	1,557	1,817
Depreciation of property, plant and equipment	160,840	145,427
Depreciation of investment properties	886	898
Prepaid lease payments charged to profit or loss	5,348	5,369
Rental payments in respect of premises under operating leases	8,340	8,212
Research and development expenditure	143,756	134,501
Cost of inventory recognized as expenses	1,259,675	1,159,535
Staff costs, including directors' and supervisors' remuneration	137,008	121,221
Retirement benefits scheme contribution	426,206	361,953
Salaries and other allowances	563,214	483,174
Total staff costs	563,214	483,174
Losses on disposal of property, plant and equipment	2,952	1,965
Interest income	(20,150)	(41,537)
Finance lease income	18,108	–
Rental income from investment properties	(4,784)	(3,852)
Rebate of value-added tax	(22,142)	(20,539)

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, and Weihai Municipal Government had granted Jierui Subsidiary the exemption of paying value-added tax with effect from 1 May 1999. Pursuant to Cai Shui 2016 No. 52 File issued by State Tax Bureau of the Ministry of Finance, with effect from 1 May 2016, 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 to be granted to Jierui Subsidiary for every employee with disability was based on four times of the minimum wages approved by Weihai Municipal Government.

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 PRC subsidiaries is 25%.

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), and Changzhou Jianli Bangde Medical Devices Co Ltd (“Changzhou Jianli Bangde”) was recognized as Jiangsu Province New and High Technology Enterprises (江蘇省高新技術企業). 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 2016 No. 52 File issued by State Tax Bureau of the Ministry of Finance, with effect from 1 May 2016, 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 2016 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 2016 is computed at a tax rate of 15%.

Taxation for other PRC subsidiaries is computed at a tax rate of 25% (2015: 25%).

No tax provision been made for all the subsidiaries established overseas and in Hong Kong as they did not have assessable profit during the Period.

8. Profit attributable to owners of the Company

For the six months ended 30 June 2016, net profit attributable to owners of the Group were approximately RMB385,500,000 (same period in 2015: approximately RMB584,374,000).

9. Dividends

The Board recommends the distribution of an interim dividend of RMB0.041 per share for the six months ended 30 June 2016 (same period in 2015: RMB0.039 per share).

10. Earnings per share

For the six months ended 30 June 2016, basic earnings per share were calculated based on the net profits attributable to shareholders of approximately RMB385,500,000 (same period in 2015: approximately RMB584,374,000) and the weighted average total number of shares of 4,522,332,324 shares (same period in 2015: 4,476,372,324 shares).

For the six months ended 30 June 2016, 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 2015	1,316,155	1,595,666	1,411,584	71,418	578,507	4,973,330
Additions	873,028	30,997	216,345	5,891	60,895	1,187,156
Transfer	(507,574)	233,430	215,482	2,682	55,980	-
Transfer to investment properties	-	(33,500)	-	-	-	(33,500)
Transfer from investment properties	-	10,713	-	-	-	10,713
Disposals	-	-	(62,649)	(9,005)	(25,012)	(96,666)
As at 31 December 2015	1,681,609	1,837,306	1,780,762	70,986	670,370	6,041,033
Additions	270,310	3,524	78,389	2,602	35,651	390,476
Transfer	(142,853)	120,990	17,068	339	4,456	-
Disposals	-	(38,366)	(12,151)	(2,131)	(11,067)	(63,715)
As at 30 June 2016	1,809,066	1,923,454	1,864,068	71,796	699,410	6,367,794
Depreciation						
As at 1 January 2015	2,314	74,377	513,331	40,376	188,861	819,259
Provided for the year	-	67,743	143,653	5,999	93,723	311,118
Eliminated on disposals	-	-	(34,485)	(4,675)	(18,047)	(57,207)
Transfer to investment properties	-	(265)	-	-	-	(265)
Transfer from investment properties	-	2,184	-	-	-	2,184
As at 31 December 2015	2,314	144,039	622,499	41,700	264,537	1,075,089
Provided for the year	-	30,371	86,727	3,223	40,519	160,840
Eliminated on disposals	-	(38,366)	(8,941)	(2,026)	(5,056)	(54,389)
As at 30 June 2016	2,314	136,044	700,285	42,897	300,000	1,181,540
Carrying values						
As at 30 June 2016	1,806,752	1,787,410	1,163,783	28,899	399,410	5,186,254
As at 31 December 2015	1,679,295	1,693,267	1,158,263	29,286	405,833	4,965,944

12. Prepaid lease payments

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
The Group's prepaid lease payments comprise		
Leasehold land in PRC		
Medium-term lease	482,661	487,999
Analysed for reporting purposes as		
Current portion	10,820	11,133
Non-current portion	471,841	476,866
	482,661	487,999

13. Interests in joint ventures

Name	Form of business structure	Place of incorporation or registration/ operation	Proportion of nominal value of registered capital held by the Group		Principal activities
			30 June 2016	31 December 2015	
Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd. ("Weigao Nikkiso")	Sino-foreign joint venture	PRC	51%	51%	Manufacture, sale and after-sale service of Nikkiso technology based medical products.
Weigao Terumo (Weihai) Medical Products Co., Ltd. ("Weigao Terumo")	Sino-foreign joint venture	PRC	50%	50%	Production and sales of medical products.

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Cost of unlisted investment, at cost	117,990	117,990
Share of post-acquisition loss	(8,223)	(9,749)
	<u>109,767</u>	<u>108,241</u>

14. Inventories

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Raw materials	176,189	165,734
Finished goods	691,581	684,859
	<u>867,770</u>	<u>850,593</u>

15. Trade and other receivables

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
0 to 90 days	1,539,248	1,350,524
91 to 180 days	650,655	525,723
181 to 365 days	445,684	413,112
Over 365 days	183,523	159,188
	<hr/>	<hr/>
Trade receivables	2,819,110	2,448,547
Bills receivables	303,336	242,363
Other receivables	113,601	98,946
Prepayments	115,928	91,840
Other receivables – receivable within one year	86,324	49,318
Prepaid lease payments	10,820	11,133
Interest receivable	218	5,640
	<hr/>	<hr/>
	3,449,337	2,947,787

16. 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 0.35% to 2.50% (same period in 2015: 0.35% to 4.78%) per annum.

17. Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of one year or less, the highest fixed interest rate of which is 0.35% to 2.25% (same period in 2015: 0.35% to 3.25%) per annum. As at 30 June 2016, the fair value of these bank balances approximate their corresponding carrying amount.

18. Trade and other payables

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
0 to 90 days	346,753	320,914
91 to 180 days	66,843	62,427
181 to 365 days	11,362	8,615
Over 365 days	31,252	27,837
Trade payables	456,210	419,793
Bills payable	97,880	58,860
Advances from customers	55,596	50,870
Other tax payables	81,747	85,136
Construction cost and retention payable	81,245	74,392
Selling expense payables	454,597	453,191
Other payables	659,766	429,137
	1,887,041	1,571,379

19. Share capital

	Nominal value of each share RMB	Number of Non-listed shares	Number of H shares	Total number of shares	Value RMB'000
At 1 January 2015	0.1	2,592,640,000	1,883,732,324	4,476,372,324	447,637
Increase on 31 December 2015	0.1	45,960,000	–	45,960,000	4,596
At 31 December 2015	0.1	2,638,600,000	1,883,732,324	4,522,332,324	452,233
At 30 June 2016	0.1	2,638,600,000	1,883,732,324	4,522,332,324	452,233

20. Movement in reserves

	Share capital RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 (Note)	Translation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	447,637	2,478,544	255,658	(1,786)	1,097	6,666,755	9,847,905	31,686	9,879,591
Profit for the year	–	–	–	–	–	1,112,736	1,112,736	36,122	1,148,858
Exchange differences arising on translation of foreign operations – subsidiaries	–	–	–	7,557	–	–	7,557	–	7,557
Total comprehensive income for the year	–	–	–	7,557	–	1,112,736	1,120,293	36,122	1,156,415
Capital contribution by non-controlling interests	–	–	–	–	8,165	–	8,165	60,838	69,003
Share-based payments	–	–	–	–	13,066	–	13,066	–	13,066
Transfer to statutory surplus reserve	–	–	2,298	–	–	(2,298)	–	–	–
Dividends recognised as distribution	–	–	–	–	–	(331,252)	(331,252)	–	(331,252)
At 31 December 2015	447,637	2,478,544	257,956	5,771	22,328	7,445,941	10,658,177	128,646	10,786,823
Profit for the year	–	–	–	–	–	385,500	385,500	(19,012)	366,488
Exchange differences arising on translation of foreign operations – subsidiaries	–	–	–	3,243	–	–	3,243	–	3,243
Total comprehensive income for the year	–	–	–	3,243	–	385,500	388,743	(19,012)	369,731
Issuance of shares	4,596	96,516	–	–	–	–	101,112	–	101,112
Capital contribution by non-controlling interests	–	–	–	–	188,995	–	188,995	122,116	311,111
Share-based payments	–	–	–	–	245,393	–	245,393	56,029	301,422
Dividend paid	–	–	–	–	–	(162,804)	(162,804)	–	(162,804)
At 30 June 2016	452,233	2,575,060	257,956	9,014	456,716	7,668,637	11,419,616	287,779	11,707,395

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 2016, the retained earnings available for distribution to shareholders was approximately RMB2,800,866,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimization adjustments to product mix

During the Period, the gross profit margin of the Group increased to 60.6% from 59.7% in the same period last year, which was mainly attributable to improvement in operational and management efficiency through continuous technological enhancement for three segments and the impact from the decline in purchase prices of raw materials.

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 57.5% (same period last year: 57.3%). 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 RMB2,351,510,000, representing an increase of 10.7% over the same period last year.

During the Period, the Group's infusion sets, including specialized infusion sets with dosage control device and infusion sets made of proprietary non PVC based material, recorded sales of approximately RMB873,202,000, representing an increase of 14.0% over the same period last year. Among which, pre-filled flush syringes recorded sales of approximately RMB115,297,000 during the Period, representing an increase of 71.3% over the same period last year.

During the Period, the needle products of the Group recorded a turnover of approximately RMB426,823,000, representing an increase of 3.4% when compared with the same period last year.

During the Period, the syringes of the Group recorded a turnover of approximately RMB368,622,000, representing an increase of 10.3% when compared with the same period last year.

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 RMB176,435,000, representing an increase of 6.4% over the same period last year.

2. The blood purification business of Weigao BP had achieved rapid growth. During the Period, it recorded a turnover of approximately RMB503,404,000, representing an increase of 27.1% when compared with the same period last year. Haemodialysis consumable products recorded a turnover of approximately RMB405,161,000, representing an increase of 25.8% when compared with the same period last year. Haemodialysis machine recorded a turnover of approximately RMB98,243,000, representing an increase of 33.0% when compared with the same period last year.
3. Orthopaedic business for the Period recorded a turnover of approximately RMB340,512,000, representing a decrease of 4.3% as compared with the same period last year.

RESEARCH AND DEVELOPMENT

For the six months ended 30 June 2016, the Group obtained 5 new patents and 115 new patents are under application. Product registration certificates for 7 new products were obtained. The research and development for 50 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 core 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 2016, the Group had over 370 product registration certificates and over 430 patents, of which 61 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 2016, total research and development expenses amounted to approximately RMB143,756,000 (same period in 2015: approximately RMB134,501,000), representing 4.5% (same period in 2015: 4.7%) of the turnover of the Group.

PRODUCTION

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 return rate, and enhanced the contribution rate for each product type. At the same time, the Group proactively improved in production process to reduce production costs, thereby eventually improving 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 2016, the Group newly added 2 hospitals, 11 other medical institutions and 13 distributors to its customer base. As at the date of this report, the Group has a customer base of 5,324 (including 3,134 hospitals, 414 blood stations, 654 other medical units and 1,122 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

Regions	2016		2015		Growth
	RMB'000	%	RMB'000	%	%
Eastern and Central	1,400,889	43.8	1,233,591	42.9	13.6
Northern	651,927	20.4	603,910	21.0	8.0
Northeast	332,058	10.4	310,588	10.8	6.9
Southern	276,102	8.6	242,338	8.4	13.9
Southwest	293,833	9.2	261,271	9.1	12.5
Northwest	104,985	3.3	89,202	3.1	17.7
Overseas	135,632	4.3	135,984	4.7	(0.3)
Total	3,195,426	100.0	2,876,884	100.0	11.1

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 9.9% 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 specialised 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		
	2016 RMB'000	2015 RMB'000	Over corresponding period %
Single-use consumables			
Infusion sets	873,202	766,140	14.0
Needles	426,823	412,688	3.4
Syringes	368,622	334,283	10.3
Pre-filled syringes	176,435	165,784	6.4
Blood bags	132,650	160,454	(17.3)
Wound management	83,956	45,136	86.0
Blood sampling products	43,357	34,405	26.0
PVC granules	27,064	27,077	–
Other consumables	219,401	178,927	22.6
Subtotal for single-use consumables	2,351,510	2,124,894	10.7
Orthopaedic products	340,512	355,972	(4.3)
Blood purification consumables	405,161	322,143	25.8
Blood purification equipments	98,243	73,875	33.0
Total	3,195,426	2,876,884	11.1

HUMAN RESOURCES

As at 30 June 2016, the Group employed a total of 10,594 employees. The breakdown by departments when compared with last year is as follows:

Department	As at 30 June 2016	As at 31 December 2015
Production	6,151	5,769
Sales and marketing	2,547	2,386
Research and development	1,069	991
Finance and administration	478	408
Quality control	164	158
Management	123	112
Purchasing	62	37
	<hr/>	<hr/>
Total	10,594	9,861
	<hr/> <hr/>	<hr/> <hr/>

Save for the 4 employees (including company secretary) who are resided in Hong Kong and Europe, other employees of the Group are resided in Mainland China. During the Period, total cost of salaries, welfare and social benefits of the Group amounted to approximately RMB563,214,000 (same period in 2015: approximately RMB483,174,000).

Remuneration System

The Group's remuneration policy has been determined based on its performance, changes in 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 proposed by the Remuneration Committee with reference to the operating results of the Company, personal performance of the directors and market competition. The proposed remuneration of directors is proposed by the Board subject to approval by shareholders at forthcoming annual general meeting.

FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group recorded a turnover of approximately RMB3,195,426,000, representing an increase of 11.1% over the same period last year. Net profit attributable to owners of the Company excluding extraordinary items was approximately RMB632,509,000 (same period in 2015: approximately RMB588,021,000), representing an increase of approximately 7.6% over the same period of the previous year, and net profit attributable to shareholders was approximately RMB385,500,000, representing a decrease of approximately 34.0% as compared with the same period last year. During the Period, the extraordinary items included expenses of approximately RMB238,860,000 (same period in 2015: Nil) which was share-based payment arising from the subscription of Weigao Orthopaedic shares by the orthopaedic management and was a non-cash and one-off item, expenses of approximately RMB8,149,000 (same period in 2015: approximately RMB3,647,000) due to proposed spin off of the orthopedics for listing.

Liquidity and Financial Resources

The Group has maintained a sound financial position. As at 30 June 2016, the Group's cash and bank balance amounted to approximately RMB3,814,910,000. For the six months ended 30 June 2016, net cash flow from operating activities of the Group amounted to approximately RMB234,435,000. The Group has maintained a sound cash flow position.

Total interest expenses of the Group for the six months ended 30 June 2016 were approximately RMB26,279,000 (same period in 2015: approximately RMB8,590,000).

Gearing Ratio

As at 30 June 2016, the Group had an unaudited net cash position of approximately RMB2,716,010,000 (same period last year: RMB2,141,613,000) and the gearing ratio of the Group was 9.4%, compared to 9.9% as of the same period last year. The gearing ratio which represents total debt as a percentage of total capital. Total debt is calculated as total borrowings. Total capital is calculated as the Group's shareholders' fund. As at 30 June 2016, the decrease was primarily due to the issue of new shares and increase in net profit earned.

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 2016, 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 2016, the Group had no significant exposure to foreign exchange fluctuation nor hedging for such risk.

Due to the fluctuation in exchange rates, foreign exchange gain equivalent to RMB1,512,000 (same period in 2015: foreign exchange gain equivalent to RMB188,000) for the six months ended 30 June 2016 was recognized by the Company.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2016.

Material Investments in Subsidiaries/Future Material Investment Plans

1. During the Period, the Group continued to invest approximately RMB340,948,000 on purchase of land, production facilities and plant construction for the purpose of enhancing the overall construction of the industrial zone for the Group's medical consumables.
2. Plan to invest RMB260,000,000 for constructing the fifth and the sixth production lines for blood purification and dialyzer respectively, which are expected to be in full production by 2017, with an estimated additional capacity of 8 million pieces.
3. Plan to invest RMB80,000,000 for expanding the production capacity of pre-filled syringes, which is expected to be in production by the end of 2017, with an additional capacity of 36 million pieces.
4. Plan to invest RMB40,000,000 for expanding the production capacity of flush syringes, which is expected to be in production by 2017, with an additional capacity of 70 million pieces.

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 2016, and there was no material acquisition and disposal of any other subsidiaries and associates since the beginning of this year.

Capital Commitment

As at 30 June 2016, 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 RMB341,464,000 (same period in 2015: approximately RMB492,095,000).

Review and Outlook

During the Period, the Company continued to maintain a good development condition in blood purification segment, and continued to maintain a good sales momentum for its new product of pre-filled flush syringes, while at the same time, the next generation of irradiation sterilization of syringe also achieved a substantial growth. The single-use consumables team continuously promoted the cost management, the orthopedics team implemented the management incentive to motivate the team. However, the Company was still facing the challenges of the domestic tender and restriction on usage of infusion, negatively impacted on our sales.

Looking forward into the second half of 2016, the Company believes that, in view of the rapid development in medical market and the changes in medical industry policies and intensifying competition in the industry, the Group will place emphasis on the followings:

1. Use the existing product lines as a base to expand and extend the categories and functionalities of the product lines to facilitate the product sales mix adjustment, alleviate the pressure due to the slowdown in industry growth by leveraging on launching of new products, including artery blood sampling needles, peripheral central venous catheters and orthopedic joints. At the same time, the Company shall consolidate the market position of newly launched pre-filled flush syringes, new model of dialysis equipment and Premier spinal products in 2015 and continue to enhance product competitiveness in the market.

2. By capitalizing on the overall strengths of Weigao Group and Weigao Holding to build on key customer accounts, and carry out more in-depth cooperation with existing hospitals to promote sales to existing customers through strengthening the cooperation between the consumables business unit with the orthopedic and haemodialysis business units.
3. By establishing regional distribution centers, adjusting the credit and inventory management policies, and to further market penetration to improve the coverage of orthopedic business. Expanding new distributors to meet the demand of Grade II hospitals for high-end single use consumable products.
4. Consolidate our superiority in hemodialysis market, continue to increase the market share of consumables, carry out the procurement for the fifth to sixth production lines, mapping out the production capacity demand for hemodialysis after 2018 and continue to establish independent hemodialysis centers in regions outside of Weihai.
5. Continue to enhance efforts in technology improvement, increase the level of automation and promote product quality with an objective of assimilating pressure from rising costs in new factory relocation and labour costs.

With the launching of more upgraded products and new product series, enhancement in marketing capabilities and adjustment in sales strategy, 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.

SHARE AWARD SCHEME REGARDING NON-LISTED SHARES

On 17 November 2014 (the “**Adoption Date**”), the Company’s share award scheme (“**Incentive Share Scheme**”) was adopted by the extraordinary general meeting, the class meeting of holders of H shares and the class meeting of holders of non-listed shares of the Company. The maximum number of non-listed Shares which may be issued under the share award scheme would be 223,818,616, which represent 5% of the issued share capital of the Company or approximately 4.76% of the issued share capital of the Company as enlarged by the issue of the 223,818,616 non-listed shares as of the date of the Adoption Date, respectively, as incentive shares to key personnel of the Group, and other persons as approved by the Remuneration Committee (the “**Selected Employee**”), in batches in subsequent years. On 11 December 2015, the first batch of the Incentive Share Scheme granted 45,960,000 shares. The life of the Incentive Share Scheme is for 10 years. None of the Selected Employee is a connected person of the Company, the Company will comply with the requirements of the Listing Rules and seek separate approval of the independent shareholders before the grant of any incentive shares to the connected person. Details of the Incentive Share Scheme are set out in the Company’s announcement and circular dated 15 August 2014 and 30 September 2014, respectively.

According to the Incentive Share Scheme, the incentive shares will be granted to the Selected Employee, subject to vesting conditions. The remuneration committee may, from time to time and at its absolute discretion, select any eligible participant to participate in the Share Award Scheme, and determine the number of non-listed shares that the Selected Employee is entitled to subscribe, the length of the vesting period to be fulfilled prior to the exercise of the subscription rights, and vesting conditions and other conditions, including any lock-up period and/or performance target, that must be satisfied for the exercise of the subscription right. The vesting period for such 45,960,000 shares is ranged from one year to five years.

On 11 December 2015, the Company granted first 45,960,000 incentive shares to 111 Selected Employees and the Company has increased authorised non-listed shares at year end of 2015. The Trustees paid the initial grant price of RMB2.20 per share.

The movement in the Award Shares under the Share Award Scheme during the Period are as follows:–

Grant Date	Grantees	Grant Price	As at 31/12/2015			As at 30/6/2016			Vesting Date	Lock Up
			Granted	Vested	Unvested/ Forfeited*	Granted	Vested	Unvested Forfeited*		
11/12/2015	41 non-connected employees	RMB2.2 per share	10,060,000	–	10,060,000	10,060,000	–	10,060,000	To be vested in five tranches with the vesting date on 31 December of each year from 2015 to 2019	2 years following vested
11/12/2015	70 non-connected employees	RMB2.2 per share	35,900,000	7,180,000	28,720,000	35,900,000	7,180,000	28,720,000		
Total	111		45,960,000	7,180,000	38,780,000	45,960,000	7,180,000	38,780,000		

* Award Shares that are not vested and/or are forfeited in accordance with the terms of the Share Award Scheme are held by the Trustee to be applied towards future awards in accordance with the provisions of the Share Award Scheme.

PROPOSED INTERIM DIVIDEND

The Board of Directors (the “**Board**”) recommended the distribution of an interim dividend of the RMB0.041 per share (same period in 2015: RMB0.039 per share) for the six months ended 30 June 2016. Such proposal is subject to the approval of the shareholders of the Company (the “**Shareholders**”) at the forthcoming special general meeting (“**Special General Meeting**”) to be held on 14 November 2016.

SPECIAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Attending and Voting in the Special General Meeting

In order to determine the shareholders who are entitled to attend and vote at the Special General Meeting, the register of members of the Company for both H Shares and Non-listed Shares will be closed from Saturday, 15 October 2016 to Monday, 14 November 2016 (both days inclusive), during which period no transfer of H Shares or Non-listed Shares will be effected. In order to qualify for attending and voting in the Special General Meeting, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 14 October 2016.

In order to qualify for attending and voting in the Special General Meeting:-

- Latest time to lodge in transfer instrument accompanied by the share certificates for H Shares 4:30 p.m., Friday, 14 October 2016

- Closure of register of members of the Company for attending and voting in the Special General Meeting Saturday, 15 October 2016 to Monday, 14 November 2016 (both days inclusive)

- Latest time to lodge in the reply slip. Monday, 24 October 2016

- Date of the Special General MeetingMonday, 14 November 2016

Entitlement of Interim dividend

In order to determine entitlement to the interim dividend payment, the register of members of the Company for both H Shares and Non-listed Shares will be closed from Saturday, 19 November 2016 to Thursday, 24 November 2016 (both days inclusive), during which period no transfer of H Shares or Non-listed Shares will be effected. In order to qualify for entitlement of the interim dividend, holders of H Shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share registrar, Tricor Standard Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 18 November 2016.

In order to qualify to entitle the interim dividend for the six months ended 30 June 2016:–

Latest time to lodge in transfer instrument accompanied by the share certificates for H Shares 4:30 p.m., Friday, 18 November 2016

Closure of register of members of the Company for entitlement of the interim dividend for the six months ended 30 June 2016 Saturday, 19 November 2016 to Thursday, 24 November 2016 (both day inclusive)

Record date for the entitlement of the interim dividend Thursday, 24 November 2016

Expected despatch date of the interim dividend Thursday, 29 December 2016

The interim dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Thursday, 29 December 2016. The applicable exchange rate for converting RMB into Hong Kong dollar for the purpose of the interim dividend payment will be based on the average middle exchange rate of Renminbi as quoted by the People's Bank of China for the calendar week proceeding 14 November 2016, the date on which the interim dividend to be declared.

DISCLOSURE OF INTERESTS

Directors' Interests and Long Position in Shares

As at 30 June 2016, the interests of the directors in the share capital of the Company and their associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”)), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities transactions by Directors of Listed Companies (the “Model Code”) contained in the Listing Rules:

(i) Long positions of non-listed 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	0.716%
Mr. Wang Yi	Personal	Beneficial owner	23,400,000	0.517%
Mrs. Zhou Shu Hua	Personal	Beneficial owner	15,300,000	0.338%

In addition, Mr. Chen Lin, son of Mr. Chen Xue Li, a director of Weigao Holding Company Limited is holder of the Company's 200,000 non-listed Shares, representing 0.004% of the issue share capital of the Company.

(ii) Long positions in the registered capital of the ultimate holding company, Weigao Holding, an associated corporation of the Company

Name of director	Capacity	Amount of registered capital	Approximate percentage of the registered capital of Weigao Holding
Weihai Weigao International Medical Investment Holding Company Limited* <i>(Note)</i>	Registered owner	1,078,000,000	89.83%
Mr. Chen Xue Li	Beneficial owner	69,540,000	5.79%
Mr. Zhang Hua Wei	Beneficial owner	21,960,000	1.83%
Mrs. Zhou Shu Hua	Beneficial owner	12,200,000	1.02%
Mr. Wang Yi	Beneficial owner	4,880,000	0.41%

Note: 威海威高國際醫療投資控股有限公司 (Weihai Weigao International Medical Investment Holding Company Limited*) is owned as to 61.87% by Mr. Chen Xue Li, 15.96% by Mr. Zhang Hua Wei, 8.87% by Mrs. Zhou Shu Hua, 3.55% by Mr. Wang Yi and 7.09% by Mr. Chen Lin.

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

Name of substantial shareholder	Number of H shares interested	% of issued H share capital
Joho Partners L.P.	189,747,038 (L)	10.07
Karr Robert A.	189,747,038 (L)	10.07
RAK Capital, LLC	189,747,038 (L)	10.07
JPMorgan Chase & Co.	150,645,923 (L)	7.99
	620,000 (S)	0.03
	142,596,726 (P)	7.56
Schroders Plc	132,025,481 (L)	7.01
Capital Research and Management Company	114,662,000 (L)	6.09
Citigroup Inc.	112,615,033 (L)	5.98
	112,578,052 (P)	5.98
BlackRock, Inc.	94,292,658 (L)	5.01
	7,228,000 (S)	0.38

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

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2016, the largest supplier of the Group and the other four largest suppliers accounted for 8.8% and 12.8% respectively of the Group's total purchases.

For the six months ended 30 June 2016, the largest customer of the Group and the other four largest customers accounted for 1.1% and 2.2% respectively of the Group's total sales.

At no time during the Period did a director, an associate of a director or 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 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 chief executive officer. The Directors have the responsibility to act objectively in the interests of the Company.

Currently, the Board comprises 9 Directors, including four executive Directors, one non-executive Directors and four independent non-executive Directors.

To comply with 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.

Disclosure of Information on Director and Supervisor

Pursuant to Rule 13.51B of the Listing Rules, the changes of information on director and supervisor during the Period are stated as follows:–

1. Mr. Chen Xue Li has been resigned as the non-executive director and Chairman of the Company with effect from 22 March 2016.
2. Mr. Zhang Hua Wei has been appointed as Chairman of the Company with effect from 22 March 2016.
3. Mr. Wang Yi has been appointed as Vice Chairman of the Company with effect from 22 March 2016.
4. Mr. Long Jing has been resigned as the supervisor of the Company with effect from 29 June 2016.
5. Mr. Yue Chun Liang has been appointed as the supervisor of the Company with effect from 29 June 2016.

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 2016 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 2016, 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 2016 have been reviewed by the Audit Committee.

By Order of the Board
**Shandong Weigao Group Medical
Polymer Company Limited**
Zhang Hua Wei
Chairman

17 August 2016

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 Director, namely 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.