

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 2019

WEGO 威高

SUMMARY

For the six months ended 30 June 2019 (the “Period”), the unaudited revenue of Shandong Weigao Group Medical Polymer Company Limited (the “Company”) and its subsidiaries (the “Group”) was approximately RMB4,943,334,000, representing an increase of approximately 19.1% over approximately RMB4,150,498,000 for the same period last year.

The unaudited net profit attributable to the shareholders of the Group for the six months ended 30 June 2019 was approximately RMB937,095,000, representing an increase of approximately 44.2% over approximately RMB650,060,000 for the same period last year.

Excluding extraordinary items, net profit attributable to owners of the Company was approximately RMB937,095,000 (same period in 2018: approximately RMB762,090,000), representing an increase of approximately 23.0% when compared with the same period last year. During the same period, extraordinary items include the increase in cost of goods sold of approximately RMB75,707,000 from inventory appreciation resulted from the acquisition of Argon Medical Devices Holdings, Inc. (“Argon”) and one-off transaction expenses of approximately RMB36,323,000 for the acquisition of Argon.

The board of directors (the “Board”) proposed the distribution of an interim dividend for the six months ended 30 June 2019 of RMB0.059 per share (same period in 2018: RMB0.049 per share). The proposal is subject to the approval of shareholders of the Company (“Shareholders”) at the forthcoming extraordinary 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 2019, together with the unaudited comparative figures for the same period in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		For the six months	
		ended 30 June	
	<i>Notes</i>	2019	2018
		RMB'000	RMB'000
Revenue	3	4,943,334	4,150,498
Cost of sales		(1,807,179)	(1,649,489)
Gross profit		3,136,155	2,501,009
Other income, gain and loss		102,295	74,656
Distribution costs		(1,329,788)	(1,169,129)
Administration expenses		(478,533)	(396,280)
Research and development expenses		(171,368)	(141,694)
Finance costs	5	(145,917)	(112,057)
Share of profit of an associate		35,231	15,690
Profit before taxation	6	1,148,075	772,195
Income tax expense	7	(175,493)	(111,127)
Profit for the Period		972,582	661,068

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

	<i>Notes</i>	2019 RMB'000	2018 RMB'000
Other comprehensive income			
Exchange difference on translation of foreign operations		1,650	58,084
Total comprehensive income for the Period		974,232	719,152
Profit for the Period attributable to:			
Owners of the Company	8	937,095	650,060
Non-controlling interest		35,487	11,008
		972,582	661,068
Total comprehensive income attributable to:			
Owners of the Company		938,590	702,240
Non-controlling interest		35,642	16,912
		974,232	719,152
		RMB	RMB
Earnings per share – Basic	10	0.21	0.15

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 RMB'000
Non-current assets			
Property, plant and equipment	11	4,939,674	4,468,162
Investment properties		129,041	131,476
Deposits paid for acquiring property, plant and equipment		141,080	143,295
Prepaid lease payments		–	386,869
Right-of-use assets		423,018	–
Intangible assets		2,313,304	2,409,736
Interests in an associate	12	1,005,977	970,746
Financial assets at fair value through profit or loss		393,033	107,339
Goodwill		3,351,952	3,339,069
Deferred tax assets		73,464	78,093
Finance lease receivables		253,111	293,361
Loan receivables		946,420	941,201
		13,970,074	13,269,347
Current assets			
Inventories	13	1,251,836	1,137,312
Loan receivables		553,585	896,585
Trade and other receivables	14	4,595,809	4,103,675
Finance lease receivables		373,992	195,707
Debt instruments at fair value through other comprehensive income		321,427	349,531
Pledged bank deposits	15	173,503	222,270
Bank balances and cash	16	3,798,586	3,812,446
		11,068,738	10,717,526

	<i>Notes</i>	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 RMB'000
Current liabilities			
Trade and other payables	17	2,674,624	2,800,218
Borrowings – repayable within one year		838,452	130,925
Contractual liabilities		134,306	96,297
Lease liabilities		7,932	–
Taxation payable		118,169	179,211
Deferred income – current portion		5,844	5,844
Loan from the ultimate holding company		116,784	114,234
		3,896,111	3,326,729
Net current assets		7,172,627	7,390,797
		21,142,701	20,660,144
Capital and reserves			
Share capital	18	452,233	452,233
Reserves	19	15,018,439	14,062,340
Equity attributable to owners of the Company		15,470,672	14,514,573
Non-controlling interest		711,011	676,327
Total equity		16,181,683	15,190,900
Non-current liabilities			
Borrowings – repayable after one year		4,612,358	5,092,889
Deferred income		37,867	36,789
Lease liabilities		21,528	–
Deferred income tax liabilities		289,265	339,566
		4,961,018	5,469,244
		21,142,701	20,660,144

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	For the six months	
	ended 30 June	
	2019	2018
	RMB'000	RMB'000
Net cash inflow generated from operating activities	1,111,981	960,208
Net cash outflow used in investing activities	(977,902)	(3,266,724)
Net cash (outflow) before financing activities	134,079	(2,306,516)
Net cash inflow from financing activities	(154,707)	1,436,577
Net increase in cash and cash equivalents	(20,628)	(869,939)
Bank balances and cash as at beginning of Period	3,812,446	3,784,553
Effect of foreign exchange rate changes, net	6,768	49,618
Bank balances and cash as at end of Period	3,798,586	2,964,232

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	For the six months	
	ended 30 June	
	2019	2018
	RMB'000	RMB'000
Balance as at 1 January	14,062,340	13,334,505
Net profit for the Period	937,095	650,060
Dividends paid	–	(205,913)
Business combination under common control	–	(3,659)
Capital contributions from minority interests	(2,381)	–
Acquisition of minority interests	126	–
Share-based payments	19,765	11,923
Exchange gains and losses arising from foreign currency transactions	1,494	52,180
	<hr/>	<hr/>
Balance as at 30 June	<u>15,018,439</u>	<u>13,839,096</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 and listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in February 2004 and migrated to the main board in the Stock Exchange in July 2010. The immediate and ultimate holding company of the Company is Weigao Holding Company Limited, a company registered in the PRC with limited liability. The ultimate controlling shareholder of the Company is Mr. Chen Xue Li. The address of the registered office and principal place of business of the Company is No. 18, Xing Shan Road, Weihai, Shandong Province, PRC.

The Company and its subsidiaries are principally engaged in the research and development, production and sale of medical device products, orthopaedic products, interventional products, pharma packaging products and blood management products, and operate financing business. The unaudited consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

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 Standards ("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 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to the Hong Kong Financial Reporting Standards (“HKFRSs”) and an interpretation issued by the the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)—Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a Lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of land and buildings as well as vehicles and office equipment that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)—Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transaction.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the PRC subsidiaries are 4.75%, while that applied by U.S. subsidiaries ranges from 8.45% to 8.69%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018 (restated)	44,468
Less: Recognition exemption – short-term leases	(7,938)
	36,530
Lease liabilities discounted at relevant incremental borrowing rate relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	28,115
Analysed as	
Current	7,134
Non-current	20,981
	28,115

**Right-of-use
assets
RMB'000**

The carrying amount of right-of-use assets, related to operating leases recognised upon application of HKFRS 16 as at 1 January 2019 comprises the following:

Buildings	27,059
Vehicles	413
Office equipment	643
Reclassified from prepaid lease payments	386,869
Reclassified from trade and other receivables	13,653
	428,637

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
Non-current assets			
Right-of-use assets	–	428,637	428,637
Prepaid lease payments	386,869	(386,869)	–
Current assets			
Trade and other receivables	4,103,675	(13,653)	4,090,022
Current liabilities			
Lease liabilities	–	7,134	7,134
Non-current liabilities			
Lease liabilities	–	20,981	20,981

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor.

Such financial statements shall be read in conjunction with the audited annual financial statements for the year ended 31 December 2018.

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 medical device products, orthopaedic products, interventional products, pharma packaging products, blood management products and finance lease and factoring businesses in the PRC.

For management purposes, the Group is currently organised into six operating divisions – medical device products, orthopaedic products, interventional products, pharma packaging, blood management and others. 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:

- medical device products – production and sale of clinical care, wound management, medical testing, anesthesia and surgical related products.
- orthopaedic products – production and sale of orthopaedic products.
- interventional products – production and sale of medical devices for interventional radiology, vascular surgery, interventional cardiology and oncology.
- pharma packaging products – production and sale of pre-filled syringes and pre-filled flush syringes.
- blood management – production and sale of blood bag products and blood transfusion equipment.
- Others – finance lease and factoring businesses.

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

For the six months ended 30 June 2019

	Medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Interventional products <i>RMB'000</i>	Pharma packaging <i>RMB'000</i>	Blood management <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue								
External sales	2,719,551	682,065	704,953	626,326	210,439	-	-	4,943,334
Inter-segment sales	120	2,668	-	-	-	-	(2,788)	-
Total	<u>2,719,671</u>	<u>684,733</u>	<u>704,953</u>	<u>626,326</u>	<u>210,439</u>	<u>-</u>	<u>(2,788)</u>	<u>4,943,334</u>
Segment profit	<u>572,025</u>	<u>242,469</u>	<u>427</u>	<u>229,598</u>	<u>26,973</u>	<u>26,587</u>	<u>-</u>	<u>1,098,079</u>
Depreciation of investment properties								(2,435)
Unallocated other income, gain and losses								(16,130)
Rental income of investment properties								5,621
Bank interest income								18,664
Gain or loss from changes in fair value of financial assets at fair value through profit or loss								9,045
Share of profit of an associate								<u>35,231</u>
Profit before taxation								<u>1,148,075</u>

For the six months ended 30 June 2018

	Medical device products RMB'000	Orthopaedic products RMB'000	Interventional products RMB'000	Pharma packaging RMB'000	Blood management RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Revenue								
External sales	2,381,123	523,640	592,714	473,538	179,483	-	-	4,150,498
Inter-segment sales	89	3,200	1,474	-	-	-	(4,763)	-
Total	<u>2,381,212</u>	<u>526,840</u>	<u>594,188</u>	<u>473,538</u>	<u>179,483</u>	<u>-</u>	<u>(4,763)</u>	<u>4,150,498</u>
Segment profit	<u>441,107</u>	<u>152,359</u>	<u>(38,846)</u>	<u>164,144</u>	<u>16,772</u>	<u>22,518</u>	<u>-</u>	<u>758,054</u>
Depreciation of investment properties								(2,568)
Unallocated other income, gain and losses								(40,496)
Rental income of investment properties								6,668
Bank interest income								34,847
Share of profit of an associate								<u>15,690</u>
Profit before taxation								<u>772,195</u>

5. Finance costs

Finance costs for the six months ended 30 June 2019 were approximately RMB145,917,000 (same period in 2018: approximately RMB112,057,000), which were mainly interest expenses on bank borrowings.

6. Profit before taxation

	Unaudited	
	For the six months	
	ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging (crediting) the followings:		
Allowances for bad and doubtful debts	12,565	19,085
Amortization of intangible assets (included in administration expenses)	117,570	100,889
Depreciation of property, plant and equipment	175,140	152,977
Depreciation of investment properties	2,435	2,568
Prepaid lease payments charged to profit or loss	–	4,487
Depreciation of right-of-use assets	11,107	–
Rental payments in respect of premises under operating leases	10,159	15,219
Research and development expenditure	171,368	141,694
Cost of inventory recognized as expenses	1,807,179	1,649,489
Staff costs, including directors' and supervisors' remuneration		
Retirement benefits scheme contribution	54,603	46,985
Salaries and other allowances	839,186	678,923
Share-based payment expenses	20,925	11,923
Total staff costs	914,714	737,831
Losses on disposal of property, plant and equipment	(180)	540
Interest income	(23,884)	(40,067)
Finance lease income	(35,016)	(31,490)
Operating rental income	(8,210)	(7,979)
Rebate of value-added tax	(39,858)	(40,189)

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, Jierui Subsidiary and Shandong Weigao Orthopaedic Device Company Limited (“Weigao Orthopaedic”) 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 an income tax at a tax rate of 15% and an amount equivalent to the total salaries paid to staff with physical disability is further deducted from the assessable profit of Jierui Subsidiary. The tax charge provided for the period ended 30 June 2019 was made after taking these tax incentives into account.

Taxation for other PRC subsidiaries is computed at a tax rate of 25% (2018: 25%).

In the US, the Group is subject to the Federal corporate income tax at a tax rate of 21% plus tax rate of state governments.

8. Profit attributable to owners of the Company

For the six months ended 30 June 2019, net profit attributable to owners of the Group was approximately RMB937,095,000 (same period in 2018: approximately RMB650,060,000).

9. Dividends

The Board recommends the distribution of an interim dividend of RMB0.059 per share for the six months ended 30 June 2019 (same period in 2018: RMB0.049 per share).

10. Earnings per share

For the six months ended 30 June 2019, basic earnings per share was calculated based on the net profits attributable to shareholders of approximately RMB937,095,000 (same period in 2018: approximately RMB650,060,000) and the weighted average total number of shares of 4,476,372,324 shares (same period in 2018: 4,476,372,324 shares).

For the six months ended 30 June 2019, diluted earnings per share was RMB0.21.

11. Property, plant and equipment

	Construction in progress	Freehold land	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures equipment and tools	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
As at 1 January 2018	719,932	–	2,281,004	1,407,652	66,825	713,660	5,189,073
Additions	496,964	–	2,493	182,069	7,880	64,488	753,894
Transfer	(520,578)	–	444,211	30,803	–	45,564	–
Acquisition of a subsidiary	19,892	7,872	47,670	23,439	34	9,993	108,900
Transfer to investment properties	–	–	(54,885)	–	–	–	(54,885)
Transfer from investment properties	–	–	108,487	–	–	–	108,487
Disposals	–	–	–	(70,403)	(2,994)	(81,911)	(155,308)
Adjustment on exchange rate	1,437	569	3,443	1,693	2	722	7,866
	<u>717,647</u>	<u>8,441</u>	<u>2,832,423</u>	<u>1,575,253</u>	<u>71,747</u>	<u>752,516</u>	<u>5,958,027</u>
As at 31 December 2018	717,647	8,441	2,832,423	1,575,253	71,747	752,516	5,958,027
Additions	534,825	–	12,030	69,676	26,064	16,388	658,983
Transfer	(123,059)	–	395	79,499	4,404	38,761	–
Acquisition of a subsidiary	–	–	–	–	619	606	1,225
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>619</u>	<u>606</u>	<u>1,225</u>
Disposals	–	–	(12,223)	(9,014)	(4,721)	(19,533)	(45,491)
Adjustment on exchange rate	54	14	90	70	–	48	276
	<u>54</u>	<u>14</u>	<u>90</u>	<u>70</u>	<u>–</u>	<u>48</u>	<u>276</u>
As at 30 June 2019	<u>1,129,467</u>	<u>8,455</u>	<u>2,832,715</u>	<u>1,715,484</u>	<u>98,113</u>	<u>788,786</u>	<u>6,573,020</u>
	1,129,467	8,455	2,832,715	1,715,484	98,113	788,786	6,573,020
DEPRECIATION							
As at 1 January 2018	2,314	–	226,485	645,751	38,142	364,244	1,276,936
Provision for the year	–	–	89,729	147,784	6,572	100,466	344,551
Transfer to investment properties	–	–	(8,700)	–	–	–	(8,700)
Transfer from investment properties	–	–	9,781	–	–	–	9,781
Eliminated on disposals	–	–	–	(57,939)	(2,096)	(73,197)	(133,232)
Adjustment on exchange rate	–	–	84	324	1	120	529
	<u>2,314</u>	<u>–</u>	<u>317,379</u>	<u>735,920</u>	<u>42,619</u>	<u>391,633</u>	<u>1,489,865</u>
As at 31 December 2018	2,314	–	317,379	735,920	42,619	391,633	1,489,865
Provision for the year	–	–	52,034	69,870	4,646	48,590	175,140
Eliminated on disposals	–	–	(4,143)	(6,855)	(4,217)	(16,483)	(31,698)
Adjustment on exchange rate	–	–	6	23	–	10	39
	<u>–</u>	<u>–</u>	<u>6</u>	<u>23</u>	<u>–</u>	<u>10</u>	<u>39</u>
As at 30 June 2019	<u>2,314</u>	<u>–</u>	<u>365,276</u>	<u>798,958</u>	<u>43,048</u>	<u>423,750</u>	<u>1,633,346</u>
	2,314	–	365,276	798,958	43,048	423,750	1,633,346
CARRYING VALUES							
As at 30 June 2019	<u>1,127,153</u>	<u>8,455</u>	<u>2,467,439</u>	<u>916,526</u>	<u>55,065</u>	<u>365,036</u>	<u>4,939,674</u>
	1,127,153	8,455	2,467,439	916,526	55,065	365,036	4,939,674
As at 31 December 2018	<u>715,333</u>	<u>8,441</u>	<u>2,515,044</u>	<u>839,333</u>	<u>29,128</u>	<u>360,883</u>	<u>4,468,162</u>
	715,333	8,441	2,515,044	839,333	29,128	360,883	4,468,162

12. Interests in an associate

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 2019	31 December 2018	
Weihai Weigao Blood Purification Products Company Limited ("Weigao Blood Purification")	Incorporation	PRC	43.30%	46.875%	Manufacturing of hemodialysis products and provision of related services.
			30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000	
Cost of unlisted investment, at cost			937,500	937,500	
Share of post-acquisition earnings			68,477	33,246	
			1,005,977	970,746	

13. Inventories

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Raw materials	259,007	267,894
Finished goods	992,829	869,418
	1,251,836	1,137,312

14. Trade and other receivables

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
0 to 90 days	2,142,210	1,944,541
91 to 180 days	715,764	806,726
181 to 365 days	658,992	492,543
Over 365 days	214,767	216,584
	<hr/>	<hr/>
Trade receivables	3,731,733	3,460,394
Receivables from factoring business	349,353	251,555
Other receivables	356,084	237,207
Prepayments	158,639	140,866
Prepaid lease payments	–	13,653
	<hr/>	<hr/>
	4,595,809	4,103,675

15. Pledged bank deposits

The amounts represented deposits pledged to banks to secure bank credit facilities granted to the Group. The amounts had been pledged to secure against the short-term bank loans and bank credit facilities and are therefore classified as current assets. The bank deposits carry interest rates of 0.35% to 1.98% (same period in 2018: 0.35% to 1.75%) per annum.

16. 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 1.1% to 3.75% (same period in 2018: 1.1% to 4.50%) per annum. As at 30 June 2019, the fair value of these bank deposits approximate to their corresponding carrying amount.

17. Trade and other payables

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
0 to 90 days	495,601	488,842
91 to 180 days	85,255	109,455
181 to 365 days	49,735	29,416
Over 365 days	34,735	31,916
	<hr/>	<hr/>
Trade payables	665,326	659,629
Bills payable	315,015	286,436
Other tax payables	72,516	65,569
Construction cost and retention payables	106,274	94,528
Selling expense payables	933,832	843,004
Other payables	581,661	643,701
Dividend payables	–	207,351
	<hr/>	<hr/>
	2,674,624	2,800,218

18. Share Capital

	Nominal value of each share RMB	Number of unlisted shares	Number of H shares	Total number of shares	Value RMB'000
As at 1 January 2018	0.1	2,638,600,000	1,883,732,324	4,522,332,324	452,233
As at 31 December 2018	0.1	–	4,522,332,324	4,522,332,324	452,233
As at 30 June 2019	0.1	–	4,522,332,324	4,522,332,324	452,233

Note: 2,638,600,000 unlisted or domestic shares were converted into H shares with effect from 8 August 2018.

19. Movement in reserves

	Share capital	Share premium reserve	Statutory surplus reserve	Translation reserve	Share- based payments reserve	Other reserve	Retained earnings	Total	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018	452,233	2,575,060	257,956	6,751	49,259	455,790	9,537,456	13,334,505	303,945	13,638,450
Profit for the year	-	-	-	-	-	-	1,472,935	1,472,935	43,849	1,516,784
Exchange differences arising on translation of foreign operations – subsidiaries	-	-	-	112,795	-	-	-	112,795	12,204	124,999
Total comprehensive income for the year	-	-	-	112,795	-	-	1,472,935	1,585,730	56,053	1,641,783
Business combination under common control	-	-	-	-	-	(3,658)	-	(3,658)	(858)	(4,516)
Capital contribution by non-controlling interests	-	-	-	-	-	(5,890)	-	(5,890)	314,850	308,960
Share-based payments	-	-	-	-	39,684	-	-	39,684	2,337	42,021
Issue of ordinary shares under share incentive scheme	-	-	-	-	(13,785)	3,242	-	(10,543)	-	(10,543)
Dividends recognised as distribution	-	-	-	-	-	-	(425,255)	(425,255)	-	(425,255)
As at 31 December 2018	452,233	2,575,060	257,956	119,546	75,158	449,484	10,585,136	14,514,573	676,327	15,190,900
Profit for the year	-	-	-	-	-	-	937,095	937,095	35,487	972,582
Exchange differences arising on translation of foreign operations – subsidiaries	-	-	-	1,494	-	-	-	1,494	156	1,650
Total comprehensive income for the year	-	-	-	1,494	-	-	937,095	938,589	35,643	974,232
Capital contribution by non-controlling interests	-	-	-	-	-	(2,381)	-	(2,381)	14,128	11,747
Share-based payments	-	-	-	-	19,765	-	-	19,765	1,160	20,925
Purchase of minority interests	-	-	-	-	-	126	-	126	(16,247)	(16,121)
As at 30 June 2019	452,233	2,575,060	257,956	121,040	94,923	447,229	11,522,231	15,470,672	711,011	16,181,683

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 from statutory public welfare fund. The statutory public welfare fund as of 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 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 of 30 June 2019, the retained earnings available for distribution to shareholders was approximately RMB4,367,747,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimization and Upgrade of Business Segments

During the Period, the gross profit margin of the Group increased to 63.4% (before deducting extraordinary items: 60.3%) from 62.3% for the same period last year, mainly attributable to change of product mix.

The major products under each business segments are as follows:

1. During the Period, the medical device business recorded a turnover of approximately RMB2,077,096,000 an overall increase of 10.5% in revenue over the corresponding period due to rich product mix; the Group continues to maintain a dominant position in the market.
2. During the Period, the pharma packaging business recorded a turnover of approximately RMB626,326,000 representing an increase of 32.3% over the same period last year and maintaining strong growth momentum. Prefilled syringes have further expanded its market influence in the segment of pre-pack bio-pharmaceuticals and built a broad customer base. Pre-filled flush syringes maintained rapid growth.
3. During the Period, the orthopedics business recorded a turnover of approximately RMB682,065,000 representing an increase of 30.3% over the same period last year. Through further consolidating its market position in the spine segment, increased marketing of joint products, further penetration of distribution channels and establishment of a logistic platform have driven sales growth.
4. During the Period, the interventional business recorded a turnover of approximately RMB813,626,000 representing an increase of 19.6% over the same period last year. Through sharing of internal resources, sales of Argon products in the PRC market will expand.

During the Period, the turnover from the Group's high value-added products (products with gross profit margins over 60%) accounted for 61.8% of total turnover (same period last year: 61.7%).

RESEARCH AND DEVELOPMENT

For the six months ended 30 June 2019, the Group obtained 66 new patents and 111 patents are under application in the PRC. New product registration certificates for 52 products were obtained. The research and development for 17 products were completed for which application for product registration certificates are underway. Overseas, 19 new patents are under application and the research and development for 36 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 to fully leverage on its customer resources and provided the Group with continuous new profit growth drivers.

As at 30 June 2019, the Group had 482 product registration certificates and 480 patents, of which 75 were patents on invention, in the PRC. For overseas market, the Group had 756 product registration certificates and 161 patents.

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 mix under sub-classification of medical devices product types. For the six months ended 30 June 2019, total research and development expenses amounted to approximately RMB171,368,000 (same period in 2018: approximately RMB141,694,000), representing 3.5% (same period in 2018: 3.4%) of the turnover of the Group.

PRODUCTION

During the Period, the Group continued to increase its investments in the capacity building and production facilities to meet the increasing sales and market growth. At the same time, the Group actively strives for the improvement in production process and intelligent production equipment and automation to reduce production costs through efficiency improvement and scientific management, so as to maintain the overall profitability of the Company.

SALES AND MARKETING

The Group continues to implement the strategy in integrating its sales channels and adjusting its product mix. For the six months ended 30 June 2019, the Group newly added 23 hospitals, 28 other medical institutions and 52 distributors to its PRC customer base. For overseas customer base, the Group newly added 1 hospital and 4 other medical institutions. As at the date of this report, the Group has a PRC customer base of 5,481 in aggregate (including 2,589 hospitals, 414 blood stations, 672 other medical units and 1,806 distributors) and an overseas customer base of 4,423 in aggregate (including 2,874 hospitals, 1,340 other medical units and 209 distributors).

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

Turnover By Geographical Locations

Regions	For the six months ended 30 June				
	2019		2018		Over corresponding period
	RMB'000	%	RMB'000	%	%
The PRC					
– Eastern and Central	1,958,799	39.6	1,570,401	37.8	24.7
– Northern	905,888	18.3	771,561	18.6	17.4
– Northeast	411,797	8.3	374,321	9.0	10.0
– Southern	316,445	6.4	270,397	6.5	17.0
– Southwest	339,236	6.9	287,626	6.9	17.9
– Northwest	108,504	2.2	103,657	2.5	4.7
PRC sub-total	4,040,669	81.7	3,377,963	81.3	19.6
Overseas					
– The US	429,345	8.7	378,326	9.1	13.5
– Europe, Middle East and Africa	200,667	4.1	195,069	4.7	2.9
– Asia	167,132	3.4	122,679	3.0	36.2
– Others	105,521	2.1	76,461	1.9	38.0
Overseas sub-total	902,665	18.3	772,535	18.7	16.8
Total	4,943,334	100.0	4,150,498	100.0	19.1

The integration of sales channels has strengthened the Group's market penetration and influence over the direct sales to customers and increased the rate of contribution of single customers. It continued to drive up the product penetration to 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. Comparison of sales revenue of principal products with that in last year is as follows:

Product category	For the six months ended 30 June		Over corresponding period %
	2019 RMB'000	2018 RMB'000	
Clinical care	2,077,096	1,879,758	10.5
Wound management	162,086	120,206	34.8
Blood management	210,439	179,483	17.2
Pharma packaging products	626,326	473,538	32.3
Medical testing	81,777	70,265	16.4
Anesthesia and surgical related products	65,091	29,993	117.0
Orthopedic products	682,065	523,640	30.3
Interventional products	813,626	680,570	19.6
Other consumables	224,828	193,045	16.5
Total	4,943,334	4,150,498	19.1

HUMAN RESOURCES

As at 30 June 2019, the Group employed a total of 10,161 employees. The breakdown by departments when compared with last year is as follows:

Department	As at 30 June 2019	As at 31 December 2017
Production	5,390	4,999
Sales and marketing	2,554	2,507
Research and development	1,128	1,124
Finance and administration	490	460
Quality control	269	194
Management	191	167
Purchasing	139	111
	<hr/>	<hr/>
Total	10,161	9,562
	<hr/>	<hr/>

A total 819 overseas employees reside in the US, Europe and Hong Kong. Other employees of the Group reside in Mainland China. During the Period, total cost of salaries, welfare and social benefits of the Group amounted to approximately RMB914,714,000 (same period in 2018: approximately RMB737,831,000).

Remuneration System

The Group's remuneration policy has been determined based on its performance, 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 the annual general meeting.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the turnover reached approximately RMB4,943,334,000, representing an increase of 19.1% over the same period last year. Net profit attributable to shareholders was approximately RMB937,095,000, representing an increase of approximately 44.2% as compared to the same period of last year. Net profit attributable to owners of the Company excluding extraordinary items was approximately RMB937,095,000 (same period in 2018: approximately RMB762,090,000), representing an increase of approximately 23.0% over the same period of the previous year. During the same period, extraordinary items include increase in cost of goods sold of approximately RMB75,707,000 from inventory appreciation resulted from the acquisition of Argon and a one-off transaction expenses of approximately RMB36,323,000 for the acquisition of Argon.

Liquidity and Financial Resources

The Group has maintained a sound financial position. As at 30 June 2019, the Group's cash and bank balance amounted to approximately RMB3,798,586,000. For the six months ended 30 June 2019, net cash flow from operating activities of the Group amounted to approximately RMB1,111,981,000, representing a sound cash flow position.

Total interest expenses of the Group for the six months ended 30 June 2019 were approximately RMB145,917,000 (same period in 2018: approximately RMB112,057,000).

Gearing Ratio

As at 30 June 2019, the gearing ratio of the Group was 36.0% (same period in 2018: 35.9%). The gearing ratio 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.

Foreign Exchange Risks

The Group's purchases and sales are mainly conducted in the PRC and the United States. Assets, liabilities and transactions in the PRC are denominated in RMB, while overseas assets and transactions are mainly denominated in US dollars. Foreign exchange risk mainly arises from domestic outstanding borrowings denominated in foreign currencies. Since this year, the Group has adopted foreign currency hedging instruments to achieve better foreign exchange risk management. The objective of the hedge is to minimise the volatility of the RMB expenditures expected to be incurred in the future to meet foreign currency liabilities. The Group's risk management policy is to partially hedge the forecasted cash flows in foreign currencies by considering the appropriate hedging instruments and costs of hedging. The Group uses foreign exchange structured derivative financial contracts to hedge its foreign currency risk. For the year ended 30 June 2019, the Group had not encountered any material difficulty due to currency fluctuation nor had it affected its funds for operation purpose.

Due to the fluctuation in exchange rates, foreign exchange gain equivalent to RMB6,768,000 (same period in 2018: foreign exchange gain equivalent to RMB10,508,000) for the six months ended 30 June 2019 was recognized by the Company.

Contingent Liabilities

The Group had no material contingent liabilities as of 30 June 2019.

Material Investments in Subsidiaries/Future Material Investment Plans

1. During the Period, the Group continued to invest approximately RMB618,395,000 in production facilities and plant construction for the purpose of enhancing the overall construction of the industrial zone for the Group's medical consumables.
2. During the Period, the Group planned to invest approximately RMB280,000,000 in the new production lines, construction of which is already underway and is expected to be in operation by the end of 2021.
3. During the Period, construction is underway for the planned investment of approximately RMB150,000,000 for upgrading and reconfiguration of the single-use consumables production equipment to further enhance the level of production automation.
4. During the Period, the Group invested USD40,000,000 in the interventional products to enrich the Company's high-end product line.

Save for the above material investments and investment plans, the Group had no any future plans involving significant investments or capital assets acquisition as at 30 June 2019.

Capital Commitment

As at 30 June 2019, the capital commitment that the Group and the Company had contracted for but not provided in the financial statements amounted to approximately RMB672,025,000 (same period in 2018: approximately RMB425,334,000).

REVIEW AND OUTLOOK

During the Period, the Company continued to adhere to product mix optimisation and adjustment strategy, accelerated continuous products upgrade, and increased investment in technological transformation, to enhance production efficiency and improve product quality; in addition to enhancing the sales management strategy and integrating marketing resources, sharing of key accounts, integrating production and financial capital as well as implementing staff incentive arrangement, the Company continued to maintain a steady growth in revenue and profit despite intensified competition.

Looking forward to the second half of 2019, the Group will focus on carrying out the following works:

1. Consistently increase the investments in the key technologies and products to accelerate the launch of new products.
2. Consistently expand growth of superior products and driving rapid growth of key new products.
3. Continuously optimize and improve sales system and increase market share and coverage of products from different business segments through key client platform and professional product sales team.

4. Continuously carry out plans to improve the supply chain management and cost reduction programs to enhance operational efficiency and reduce upward pressure on its overall costs by leveraging on advanced manufacturing and cost reduction.
5. Actively participate in high value consumables with volume procurement negotiations and strive to improve market share.
6. Fully implement domestic marketing and promotion plans for Argon products.

SHARE AWARD SCHEME OF THE COMPANY

According to the incentive share scheme adopted by the Company on 17 November 2014 (“**Incentive Share Scheme**”), the incentive shares would be granted to the selected employees, subject to vesting conditions. The remuneration committee may, from time to time and at its absolute discretion, select any eligible participants to participate in the Share Award Scheme and determine the number of shares that the selected employees could entitle 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. The maximum number of 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, i.e. 17 November 2014.

As of 30 June 2019, the incentive shares granted under the Incentive Share Scheme were 45,960,000 shares (same period in 2018: 45,960,000 shares).

SHARE OPTION SCHEME OF A SUBSIDIARY

On 16 April 2018, the adoption of share option scheme of WW Medical and Healthcare Company Limited (“**WW Medical Share Option Scheme**”) has been approved by shareholders of the Company. WW Medical is owned as to 90% indirectly by the Company, as such the WW Medical Share Option Scheme is a share option scheme governed by Chapter 17 of the Listing Rules. The purpose of the WW Medical Share Option Scheme is to provide an incentive to the directors, consultants, advisors and key employees of WW Medical and its subsidiaries to continue their association with WW Medical and its subsidiaries by providing opportunities for such persons to participate in the ownership of the WW Medical and in its further growth, and to offer an additional inducement in obtaining the services of such persons. Details of the WW Medical Share Option Scheme are set out in the announcement and circular of the Company dated 26 February 2018 and 28 February 2018 respectively.

PROPOSED INTERIM DIVIDEND

The Board recommended the distribution of an interim dividend of the RMB0.059 per share (same period in 2018: RMB0.049 per share) for the six months ended 30 June 2019. 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 Friday, 15 November 2019.

FIRST EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Attending and Voting in the First Extraordinary General Meeting

In order to determine the shareholders who are entitled to attend and vote at the First Extraordinary General Meeting, the register of members of the Company for H Shares will be closed from Wednesday, 16 October 2019, to Friday, 15 November 2019 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for attending and voting in the First Extraordinary 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 15 October 2019.

In order to qualify for attending and voting in the First Extraordinary General Meeting:—

Latest time to lodge in transfer instrument
accompanied by the share certificates
for H Shares 4:30 p.m., Tuesday,
15 October 2019

Closure of register of members of
the Company for attending and
voting in the First Extraordinary
General Meeting Wednesday, 16 October 2019 to
Friday, 15 November 2019
(both days inclusive)

Latest time to lodge in the reply slip Friday, 25 October 2019

Date of the First Extraordinary General Meeting . . . Friday, 15 November 2019

Entitlement of Interim dividend

In order to determine entitlement to the interim dividend payment, the register of members of the Company for H Shares will be closed from Saturday, 23 November 2019 to Wednesday, 27 November 2019 (both days inclusive), during which period no transfer of H 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, 22 November 2019.

In order to qualify to entitle the interim dividend for the six months ended 30 June 2019:–

Latest time to lodge in transfer instrument
accompanied by the share certificates
for H Shares 4:30 p.m., Friday,
22 November 2019

Closure of register of members of
the Company for entitlement of
the interim dividend for the six months
ended 30 June 2019 Saturday, 23 November 2019 to
Wednesday, 27 November 2019
(both day inclusive)

Record date for the entitlement of
the interim dividend Wednesday, 27 November 2019

Expected despatch date of the interim dividend. . Monday, 23 December 2019

The interim dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Monday, 23 December 2019. 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 15 November 2019, the date on which the interim dividend to be declared.

DISCLOSURE OF INTERESTS

Directors' Interests and Long Position in Shares

As at 30 June 2019, 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 H Shares of RMB0.10 each of the Company

Name of Director	Types of interests	Capacity	Total number of H 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 196,000 H Shares, representing 0.004% of the issue share capital of the Company.

(ii) Long positions in the registered capital of 威高集團有限公司 (Weigao Holding Company Limited), the holding company

Name of shareholder	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 55.89% by Mr. Chen Xue Li, 18.00% by Mr. Zhang Hua Wei, 10.00% by Mrs. Zhou Shu Hua, 5.11% by Mr. Wang Yi and 8.00% 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 shares interested	% of issued share capital
Chen Xueli 威海威高國際醫療投資控股有限公司 (Weihai Weigao International Medical Investment Holding Company Limited)	2,159,755,676 (L)	47.76 (L)
威高集團有限公司 (Weigao Holding Company Limited)	2,159,755,676 (L)	47.76 (L)
	2,159,755,676 (L)	47.76 (L)

Note: (L) – Long Position

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2019, sales to the Group's five largest customers accounted for 4.2% of the total sales for the Period and sales to the largest customer accounted for 1.1% of the total sales for the Period.

For the six months ended 30 June 2019, purchases from the Group's five largest suppliers accounted for 17.1% of the total purchases for the Period and purchases from the largest supplier accounted for 4.6% of the total purchases for the Period.

At no time during the Period, none of 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 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 eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors.

To comply with Rule 3.10(1) of the Listing Rules, the Board currently comprises three independent non-executive Directors who are independent under the independence criteria and are capable to effectively exercise independent judgment. Amongst the three 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

- (1) Mr. Wang Yi has been re-designated from a non-executive director of the Company to an executive director of the Company with effect from 14 March 2019.

Save as disclosed above, pursuant to Rule 13.51B of the Listing Rules, no changes of information on director or supervisor has been recorded during the Period.

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, 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 2019 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 2019, 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 2019 have been reviewed by the Audit Committee.

By Order of the Board

Shandong Weigao Group Medical

Polymer Company Limited

Zhang Hua Wei

Chairman

28 August 2019

Weihai, Shandong, the PRC

As at the date of this report, the Board comprises Executive Directors, namely Mr. Zhang Hua Wei, Mr. Long Jing, Mr. Wang Yi and Mr. Gong Jian Bo, and Non-executive Director, namely Mrs. Zhou Shu Hua, and Independent Non-executive Directors, namely Mr. Lo Wai Hung, Mrs. Fu Ming Zhong and Mrs. Wang Jin Xia.