

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 2021

WEGO 威高

SUMMARY

For the six months ended 30 June 2021 (the “Period”), the unaudited revenue of Shandong Weigao Group Medical Polymer Company Limited (the “Company”) and its subsidiaries (the “Group”) was approximately RMB6,229,604,000, representing an increase of approximately 19.4% over approximately RMB5,215,509,000 as restated for the same period last year. The restated represents the acquisition of Wego Healthcare Fund Holding Corporation by the Company from its immediate holding company, Weigao Holding Company Limited during the Period. Under the relevant accounting standards, it is as if the merger of common control had taken place from the date when the Company’s immediate holding company, Weigao Holding Company Limited, had control of Wego Healthcare Fund Holding Corporation as the Company and Wego Healthcare Fund Holding Corporation are jointly controlled by Weihai Weigao International Medical Investment Holding Company Limited before and after the Acquisition.

The unaudited net profit attributable to the shareholders of the Group for the six months ended 30 June 2021 was approximately RMB1,209,394,000, representing an increase of approximately 21.4% over approximately RMB995,841,000 as restated for the same period last year.

The board of directors (the “Board”) proposed the distribution of an interim dividend for the six months ended 30 June 2021 of RMB0.077 per share (same period in 2020: RMB0.062 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 2021, together with the unaudited comparative figures as restated for the same period in 2020 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		For the six months	
		ended 30 June	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
			(Restated)
Revenue	3	6,229,604	5,215,509
Cost of sales		(2,566,741)	(2,195,659)
Gross profit		3,662,863	3,019,850
Other income, gain and loss		85,268	100,553
Impairment losses under expected credit loss model		(34,800)	(65)
Selling and distribution costs		(1,370,010)	(1,194,166)
Administration expenses		(554,170)	(447,629)
Research and development expenses		(205,923)	(146,816)
Finance costs	5	(68,695)	(106,484)
Share of profit of an associate		39,002	27,325
Profit before taxation	6	1,553,535	1,252,568
Income tax expense	7	(254,367)	(206,544)
Profit for the Period		1,299,168	1,046,024

Unaudited
For the six months
ended 30 June

	<i>Notes</i>	2021 RMB'000	2020 RMB'000 (Restated)
Other comprehensive income			
Exchange difference on translation of foreign operations		(33,402)	50,212
Total comprehensive income for the Period		<u>1,265,766</u>	<u>1,096,236</u>
Profit for the Period attributable to:			
Owners of the Company	8	1,209,394	995,841
Non-controlling interest		89,774	50,183
		<u>1,299,168</u>	<u>1,046,024</u>
Total comprehensive income attributable to:			
Owners of the Company		1,181,042	1,041,371
Non-controlling interest		84,724	54,865
		<u>1,265,766</u>	<u>1,096,236</u>
		RMB	RMB
Earnings per share – Basic	10	<u>0.27</u>	<u>0.22</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Restated) RMB'000
Non-current assets			
Property, plant and equipment	11	5,410,374	5,362,665
Right-of-use assets		455,269	435,512
Investment properties		143,321	136,710
Goodwill		3,397,006	3,414,210
Deposits paid for acquiring property, plant and equipment		487,879	300,903
Intangible assets		1,945,843	2,055,460
Interests in an associate	12	1,107,914	1,068,912
Interests in a joint venture	13	181,649	181,927
Financial assets at fair value through profit or loss		108,114	108,420
Deferred tax assets		146,005	140,058
Finance lease receivables		57,707	85,160
Loan receivables		277,046	213,101
Prepayments		83,762	88,170
		13,801,889	13,591,208
Current assets			
Inventories	14	1,692,624	1,562,853
Loan receivables		334,691	232,873
Trade and other receivables	15	6,153,519	5,958,479
Debt instruments at fair value through other comprehensive income		467,264	469,610
Finance lease receivables		104,819	136,908
Pledged bank deposits	16	776,516	340,129
Bank balances and cash	17	6,580,571	5,665,656
		16,110,004	14,366,508

	<i>Notes</i>	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Restated) RMB'000
Current liabilities			
Financial liabilities at fair value through profit or loss		16,506	21,031
Trade and other payables	18	4,134,525	3,812,454
Contractual liabilities		292,691	313,373
Borrowings		883,532	297,890
Taxation payable		162,182	129,154
Deferred income		7,095	7,861
Estimated liabilities		82,425	7,699
Lease liabilities		4,436	8,583
		5,583,392	4,598,045
Net current assets		10,526,612	9,768,463
Total Assets less Current Liabilities		24,328,501	23,359,671
Capital and reserves			
Share capital	19	452,233	452,233
Reserves	20	18,264,745	17,581,347
Equity attributable to owners of the Company		18,716,978	18,033,580
Non-controlling interest		1,557,941	845,108
Total equity		20,274,919	18,878,688
Non-current liabilities			
Financial liabilities at fair value through profit or loss		43,930	64,847
Borrowings		2,570,808	3,001,289
Bonds payable		991,835	991,121
Other payables		37,125	37,125
Deferred income		79,586	70,898
Deferred income tax liabilities		284,519	291,797
Contract liabilities		-	1,791
Lease liabilities		45,779	22,115
		4,053,582	4,480,983
		24,328,501	23,359,671

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	For the six months	
	ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Restated)
Net cash inflow generated from operating activities	1,367,394	1,067,230
Net cash outflow used in investing activities	(1,946,916)	921,297
Net cash (outflow) before financing activities	(579,522)	1,988,527
Net cash inflow from financing activities	1,503,131	(1,416,235)
Net increase in cash and cash equivalents	923,609	572,292
Bank balances and cash as at beginning of Period	5,665,656	4,344,469
Effect of foreign exchange rate changes, net	(8,694)	9,466
Bank balances and cash as at end of Period	6,580,571	4,926,227

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	For the six months	
	ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Restated)
Balance as at 1 January	18,033,580	16,644,933
Net profit for the Period	1,209,394	995,841
Business combination under common control	(1,202,745)	–
Disposal of partial interest in a subsidiary	719,081	–
Acquisition of minority interests	–	(62,072)
Debt waiver	–	(1,847)
Share-based payments	22,452	13,093
Recognition of sales of repurchased shares under a share award scheme	83,809	
Repurchase of shares under a share award scheme	(36,432)	–
Exchange gains and losses arising from foreign currency transactions	(28,352)	45,530
Balance as at 30 June	<u>18,716,978</u>	<u>17,719,287</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 Weihai Weigao International Medical Investment Holding Co Ltd* (威海威高國際醫療投資控股有限公司), 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 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 2020.

The Group has applied certain new standards and revised standards and interpretations for the financial year beginning on 1 January 2021. The adoption of these new standards and revised standards and interpretations did not have a significant impact on the Group's unaudited consolidated financial reporting results.

Such financial statements shall be read in conjunction with the audited annual financial statements for the year ended 31 December 2020.

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 devices, anesthesia and surgical related products. |
| Orthopaedic products | — | production and sale of orthopaedic products. |
| Interventional products | — | production and sale of tumour and blood vessel interventional instruments. |
| Pharma packaging products | — | production and sale of pre-filled syringes and flushing syringes. |
| Blood management | — | production and sale of blood bag products, blood transfusion equipment and blood irradiators. |
| Others | — | finance lease and factoring businesses. |

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

For the six months ended 30 June 2021

	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	2,984,798	1,084,445	752,793	957,723	449,845	-	-	6,229,604
Inter-segment sales	78	1,527	-	-	2,000	-	(3,605)	-
Total	<u>2,984,876</u>	<u>1,085,972</u>	<u>752,793</u>	<u>957,723</u>	<u>451,845</u>	<u>-</u>	<u>(3,605)</u>	<u>6,229,604</u>
Segment profit	<u>508,959</u>	<u>432,335</u>	<u>73,546</u>	<u>356,321</u>	<u>92,022</u>	<u>25,441</u>	<u>-</u>	<u>1,488,624</u>
Depreciation of investment properties								(2,566)
Unallocated other income, gain and losses								(10,151)
Rental income of investment properties								6,013
Bank interest income								32,613
Share of profit of associates								39,002
Profit before taxation								<u>1,553,535</u>

For the six months ended 30 June 2020

	Medical device products RMB'000 (Restated)	Orthopaedic products RMB'000	Interventional products RMB'000	Pharma packaging RMB'000	Blood management RMB'000 (Restated)	Others RMB'000	Eliminations RMB'000	Total RMB'000 (Restated)
Revenue								
External sales	2,567,845	830,604	678,297	764,515	374,248	-	-	5,215,509
Inter-segment sales	112	-	-	-	-	-	(112)	-
Total	2,567,957	830,604	678,297	764,515	374,248	-	(112)	5,215,509
Segment profit	504,503	281,001	22,417	268,148	74,467	32,756	-	1,183,292
Depreciation of investment properties								(2,194)
Unallocated other income, gain and losses								14,450
Rental income of investment properties								5,507
Bank interest income								24,188
Share of profit of an associate								27,325
Profit before taxation								1,252,568

5. Finance costs

Finance costs for the six months ended 30 June 2021 were approximately RMB68,695,000 (same period in 2020 as restated: approximately RMB106,484,000), which were mainly interest expenses on bank borrowings.

6. Profit before taxation

	Unaudited	
	For the six months	
	ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Restated)
Profit before taxation has been arrived at after charging (crediting) the followings:		
Allowances for credit losses	34,800	65
Allowances for inventories	4,854	13,505
Amortization of intangible assets (included in administration expenses)	113,410	126,788
Depreciation of property, plant and equipment	217,344	215,608
Depreciation of investment properties	2,235	1,864
Depreciation of right-of-use assets	11,188	8,982
Cost of inventory recognized as expenses	2,566,741	2,195,659
Staff costs, including directors' and supervisors' remuneration		
Retirement benefits scheme contribution	50,710	38,317
Salaries and other allowances	979,548	867,754
Share-based payment expenses	25,039	14,082
Total staff costs	1,055,297	920,153
Losses on disposal of property, plant and equipment	2,356	251

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, Shandong Weigao Orthopaedic Device Company Limited ("Weigao Orthopaedic"), Weigao Jiesheng Medical Devices Co., Ltd.* (威高潔盛醫療器械有限公司) and Shandong Weigao Puri Pharmaceutical Packaging Co., Ltd.* (山東威高普瑞醫藥包裝有限公司) 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 issued by the Ministry of Finance and the State Administration of Taxation, 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 2021 was made after taking these tax incentives into account.

Taxation for other PRC subsidiaries is computed at a tax rate of 25% (2020: 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 2021, net profit attributable to owners of the Group was approximately RMB1,209,394,000 (same period in 2020 as restated: approximately RMB995,841,000).

9. Dividends

The Board recommends the distribution of an interim dividend of RMB0.077 per share for the six months ended 30 June 2021 (same period in 2020: RMB0.062 per share).

10. Earnings per share

For the six months ended 30 June 2021, basic earnings per share was calculated based on the net profits attributable to shareholders of approximately RMB1,209,394,000 (same period in 2020 as restated: approximately RMB995,841,000) and the weighted average total number of shares of 4,498,768,324 shares (same period in 2020: 4,476,372,324 shares).

For the six months ended 30 June 2021, diluted earnings per share was RMB0.27.

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 2020 (as restated)	971,464	8,504	3,066,065	1,835,303	100,909	847,565	6,829,810
Additions (as restated)	428,821	-	152,412	140,370	10,139	71,113	802,855
Transfer	(338,701)	-	97,593	183,911	-	57,197	-
Transfer to investment properties	-	-	(29,146)	-	-	-	(29,146)
Transfer from investment properties	-	-	52,637	-	-	-	52,637
Acquisition of a subsidiary	-	-	-	223	609	139	971
Disposals	-	-	(64,035)	(14,816)	(3,334)	(74,652)	(156,837)
Disposal of a subsidiary	-	-	-	-	-	-	-
Adjustment on exchange rate (as restated)	(2,939)	(550)	(3,588)	(7,040)	(138)	(3,432)	(17,688)
As at 31 December 2020 (as restated)	1,058,645	7,954	3,271,938	2,137,951	108,184	897,930	7,482,602
Additions	175,167	-	-	107,907	13,007	56,884	352,965
Transfer	(89,925)	-	211	68,595	-	21,119	-
Transfer from investment properties	-	-	-	-	-	-	-
Transfer to investment properties	-	-	(9,448)	-	-	-	(9,448)
Disposals	-	-	-	(59,364)	(37,851)	(33,870)	(131,085)
Adjustment on exchange rate	(534)	(79)	(517)	(869)	(17)	(383)	(2,399)
As at 30 June 2021	1,143,353	7,875	3,262,184	2,254,220	83,323	941,680	7,692,635
DEPRECIATION							
As at 1 January 2020 (as restated)	8,205	-	408,948	871,764	44,663	466,691	1,800,271
Provision for the year (as restated)	2,571	-	136,637	165,779	11,892	110,438	427,317
Transfer to investment properties	-	-	(2,344)	-	-	-	(2,344)
Transfer from investment properties	-	-	452	-	-	-	452
Eliminated on disposals	-	-	(11,962)	(15,858)	(2,541)	(71,577)	(101,938)
Disposal of a subsidiary	-	-	-	-	-	-	-
Adjustment on exchange rate (as restated)	-	-	(522)	(1,888)	(84)	(1,327)	(3,821)
As at 31 December 2020 (as restated)	10,776	-	531,209	1,019,797	53,990	504,225	2,119,937
Provision for the year	-	-	68,945	83,775	4,509	60,115	217,344
Transfer to investment properties	-	-	602	-	-	-	602
Transfer from investment properties	-	-	-	-	-	-	-
Eliminated on disposals	-	-	-	(11,609)	(14,947)	(28,288)	(54,844)
Adjustment on exchange rate	-	-	(81)	(468)	(12)	(217)	(778)
As at 30 June 2021	10,776	-	600,675	1,091,495	43,480	535,835	2,282,261
CARRYING VALUES							
As at 30 June 2021	1,132,577	7,875	2,661,509	1,162,725	39,843	405,845	5,410,374
As at 31 December 2020 (as restated)	1,047,869	7,954	2,740,729	1,118,154	54,254	393,705	5,362,665

12. Interests in an associate

Name	Country of incorporation/ registration	Principal place of business	Proportion of nominal value of registered capital held by the Group		Principal activities
			30 June 2021	31 December 2020	
Weihai Weigao Blood Purification Products Company Limited ("Weigao Blood Purification")	PRC	PRC	28.0871%	28.0871%	Manufacturing of hemodialysis products and related consumables.
			30 June 2021 (Unaudited) RMB'000	31 December 2020	RMB'000
Cost of unlisted investment, at cost			937,500	937,500	
Share of post-acquisition earnings			170,414	131,412	
			1,107,914	1,068,912	

13. Interests in joint ventures

Name	Country of incorporation/ registration	Principal place of business	Proportion of nominal value of registered capital held by the Group		Principal activities
			30 June 2021	31 December 2020	
Qingdao Songyuan First Phase Medical Investment Partnership (Limited Partnership)	PRC	PRC	38.5%	38.5%	Investment in companies in medical industry
Weihai Shangyuan Phase I Venture Capital Partnership (Limited Partnership)	PRC	PRC	19.8%	19.8%	Venture capital

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Restated) RMB'000
Cost of investment in joint ventures	<u>181,649</u>	<u>181,927</u>

14. Inventories

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Restated) RMB'000
Raw materials	418,249	309,105
Finished goods	<u>1,274,375</u>	<u>1,253,748</u>
	<u>1,692,624</u>	<u>1,562,853</u>

15. Trade and other receivables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Restated)
0 to 90 days	2,635,512	2,377,902
91 to 180 days	981,496	997,902
181 to 365 days	771,595	773,449
Over 365 days	506,483	488,051
Trade receivables	4,895,086	4,637,304
Receivables from factoring business	194,113	328,742
Other receivables	669,262	636,706
Prepayments	478,820	443,897
	6,237,281	6,046,649
Analysed for reporting purposes as:		
Current assets	6,153,519	5,958,479
Non-current assets	83,762	88,170
	6,237,281	6,046,649

16. Pledged bank deposits

The amounts represented deposits pledged to banks to secure trade facilities granted to the Group and the issuance of letter of guarantee. 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 ranging from 0.3% to 1.61% (same period in 2020: 0.3% to 1.75%) 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 interest rate of which ranges from 1.15% to 4.125% (same period in 2020: 1.35% to 3.5%) per annum.

18. Trade and other payables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Restated)
0 to 90 days	958,221	1,033,051
91 to 180 days	261,844	240,778
181 to 365 days	106,369	103,787
Over 365 days	33,843	38,684
Trade payables	1,360,277	1,416,300
Bills payable	373,370	341,349
Other tax payables	117,971	134,908
Construction cost and retention payables	109,646	90,430
Selling expense payables	937,566	818,530
Other payables	1,272,820	1,048,062
	4,171,650	3,849,579
Analysed for reporting purposes as:		
Current liabilities	4,134,525	3,812,454
Non-current liabilities	37,125	37,125
	4,171,650	3,849,579

19. 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 2020	0.1	–	4,522,332,324	4,522,332,324	452,233
As at 31 December 2020	0.1	–	4,522,332,324	4,522,332,324	452,233
As at 30 June 2021	0.1	–	4,522,332,324	4,522,332,324	452,233

20. Movement in reserves

	Share capital	Share premium reserve	Statutory surplus reserve	Translation reserve	Share-based payments reserve	Other reserves	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 2020 (as restated)	452,233	2,575,060	257,956	151,375	92,401	1,187,830	11,928,078	16,644,933	811,436	17,456,369
Profit for the year (as restated)	-	-	-	-	-	-	2,086,783	2,086,783	120,254	2,207,037
Total other comprehensive income for the year (as restated)	-	-	-	(244,646)	-	-	-	(244,646)	(20,197)	(264,843)
Total comprehensive income for the year (as restated)	-	-	-	(244,646)	-	-	2,086,783	1,842,137	100,057	1,942,194
Business combination under common control	-	-	-	-	-	10,575	-	10,575	14,115	24,690
Disposal of partial interest in a subsidiary	-	-	-	-	-	(1,278)	-	(1,278)	1,278	-
Debt waiver	-	-	-	-	-	(2,189)	-	(2,189)	2,189	-
Acquired interest in subsidiary from non-controlling shareholder	-	-	-	-	-	(84,402)	-	(84,402)	(124,727)	(209,129)
Adoption of share award scheme	-	-	-	-	-	(19,187)	-	(19,187)	19,187	-
Recognition of equity-settled share-based payments	-	-	-	-	27,696	-	-	27,696	2,966	30,662
Repurchase of shares under a share award scheme	-	-	-	-	(20,536)	(32,035)	-	(52,571)	-	(52,571)
Recognition of sales of repurchased shares under a share award scheme	-	-	-	-	-	203,133	-	203,133	-	203,133
Exchange of non-monetary assets	-	-	-	-	-	13,447	-	13,447	3,255	16,702
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	17,033	17,033
Dividends recognised as distribution	-	-	-	-	-	-	(553,349)	(553,349)	(3,200)	(556,549)
Others	-	-	-	-	-	4,635	-	4,635	1,519	6,154
At 31 December 2020 (as restated)	452,233	2,575,060	257,956	(93,271)	99,561	1,280,529	13,461,512	18,033,580	845,108	18,878,688
Profit for the year	-	-	-	-	-	-	1,209,394	1,209,394	89,774	1,299,168
Exchange differences arising on translation of foreign operations - Subsidiaries	-	-	-	(28,352)	-	-	-	(28,352)	(5,050)	(33,402)
Total comprehensive income for the year	-	-	-	(28,352)	-	-	1,209,394	1,181,042	84,724	1,265,766
Business combination under common control	-	-	-	-	-	(1,202,745)	-	(1,202,745)	(1,202,745)	-
Disposal of partial interest in a subsidiary	-	-	-	-	-	719,081	-	719,081	625,522	1,344,603
Share-based payments	-	-	-	-	22,452	-	-	22,452	2,587	25,039
Repurchase of shares under a share award scheme	-	-	-	-	(10,318)	(26,114)	-	(36,432)	-	(36,432)
As at 30 June 2021	452,233	2,575,060	257,956	(121,623)	111,695	770,751	14,670,906	18,716,978	1,557,941	20,274,919

Notes:

(a) Bases for appropriation to reserves

Appropriation to statutory surplus reserve and statutory public welfare fund has 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 reserve can only be used to make up for the losses, converted 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, the balance of such reserve shall not be less than 25% of the registered capital.

(c) Statutory public welfare fund

According to the Company Law of the 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 2021, the retained earnings available for distribution to shareholders was approximately RMB8,634,597,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimization and Upgrade of Business Segments

During the Period, the gross profit margin of the Group increased to 58.8% from 57.9% as restated for the same period last year, mainly attributable to the change of product mix.

The major products under each business segment are as follows:

1. During the Period, the clinical care business recorded a turnover of approximately RMB2,104,557,000, representing an increase of 13.1% over the corresponding period mainly due to that the gradual resumption of hospital medical services led to an increase in usage; epidemic prevention related products such as syringes used for vaccination have maintained a relatively rapid growth; in the future, the Group will continuously enrich its product mix, and continue to maintain a dominant position in the market with the Company's strong scale strength.
2. During the Period, the pharma packaging business recorded a turnover of approximately RMB957,723,000, representing an increase of 25.3% over the same period last year. Prefilled syringes enjoyed strong demand and have further expanded its market influence in the segment of pre-pack bio-pharmaceuticals and built a broad customer base. The revenue growth of flushing syringes slowed down as affected by lower prices.
3. During the Period, the orthopedics business recorded a turnover of approximately RMB1,084,445,000, representing an increase of 30.6% 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 RMB865,388,000, representing an increase of 10.5% over the same period last year mainly due to that the interventional products were growing as a result of the recovery of clinical treatments in hospitals and as driven by the PRC market. In the future, through sharing of internal resources, sales of Argon products in the PRC market will expand continuously.

RESEARCH AND DEVELOPMENT

For the six months ended 30 June 2021, the Group obtained 66 new patents and 142 patents are under application in the PRC. New product registration certificates for 43 products were obtained. The research and development for 33 products were completed for which application for product registration certificates are underway. Overseas, 16 new patents are under application and the research and development for 190 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 2021, the Group had 532 product registration certificates and 595 patents, of which 76 were patents on invention, in the PRC. For overseas market, the Group had 714 product registration certificates and 172 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 2021, total research and development expenses amounted to approximately RMB205,923,000 (same period in 2020 as restated: approximately RMB146,816,000), representing 3.3% (same period in 2020: 2.8%) of the revenue 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 2021, the Group newly added 254 hospitals, 17 other medical institutions and 451 distributors to its PRC customer base. As at the date of this report, the Group has a PRC customer base of 7,396 in aggregate (including 2,908 hospitals, 414 blood stations, 1,002 other medical units and 3,072 distributors) and an overseas customer base of 6,711 in aggregate (including 3,478 hospitals, 1,584 other medical units and 1,649 distributors).

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

Turnover by Geographical Locations

Regions	2021		2020 (as restated)		Over
	RMB'000	%	RMB'000	%	corresponding period %
The PRC					
– Eastern and Central	2,447,589	39.3	2,054,703	39.4	19.1
– Northern	1,146,253	18.4	851,923	16.3	34.5
– Northeast	431,770	6.9	333,691	6.4	29.4
– Southern	461,478	7.4	353,018	6.8	30.7
– Southwest	415,767	6.7	328,726	6.3	26.5
– Northwest	119,245	1.9	100,155	1.9	19.1
PRC sub-total	5,022,102	80.6	4,022,216	77.1	24.9
Overseas					
– The US	577,275	9.3	527,981	10.1	9.3
– Europe, Middle East and Africa	258,314	4.1	290,756	5.6	(11.2)
– Asia	234,635	3.8	257,695	5.0	(8.9)
– Others	137,278	2.2	116,860	2.2	17.5
Overseas sub-total	1,207,502	19.4	1,193,292	22.9	1.2
Total	6,229,604	100.0	5,215,509	100.0	19.4

The integration of sales channels has strengthened the Group's market penetration and influence over the direct sales to customers and enhanced sales contribution per customer. It continued to drive up the product penetration to customers and was an important approach in generating revenue growth for 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
	2021	2020	corresponding
	RMB'000	(as restated) RMB'000	period
			%
Clinical care	2,104,557	1,860,569	13.1
Wound management	196,509	133,125	47.6
Blood management	449,845	374,248	20.2
Pharma packaging products	957,723	764,515	25.3
Medical testing	125,955	99,191	27.0
Anesthesia and surgical related products	117,962	65,263	80.7
Orthopedic products	1,084,445	830,604	30.6
Interventional products	865,388	783,262	10.5
Other consumables	327,220	304,732	7.4
Total	6,229,604	5,215,509	19.4

HUMAN RESOURCES

As at 30 June 2021, the Group employed a total of 10,792 employees. The breakdown by departments when compared with last year is as follows:

Department	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Production	5,533	5,404
Sales and marketing	2,768	2,616
Research and development	1,183	1,165
Finance and administration	549	538
Quality control	354	330
Management	237	228
Purchasing	168	152
Total	10,792	10,433

A total of 1,050 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 RMB1,055,297,000 (same period in 2020 as restated: approximately RMB920,153,000).

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 2021, the turnover reached approximately RMB6,229,604,000, representing an increase of 19.4% over the same period last year as restated. Net profit attributable to shareholders was approximately RMB1,209,394,000, representing an increase of approximately 21.4% as compared to the same period last year as restated.

Liquidity and Financial Resources

The Group has maintained a sound financial position. As at 30 June 2021, the Group's cash and bank balance amounted to approximately RMB6,580,571,000. For the six months ended 30 June 2021, net cash flow from operating activities of the Group amounted to approximately RMB1,367,394,000, representing a sound cash flow position.

Total interest expenses of the Group for the six months ended 30 June 2021 were approximately RMB68,695,000 (same period in 2020 as restated: approximately RMB106,484,000).

Gearing Ratio

As at 30 June 2021, the gearing ratio of the Group was 23.8% (31 December 2020: 23.8%). 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. 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 six months ended 30 June 2021, 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 loss equivalent to RMB17,308,000 (same period in 2020: foreign exchange gain equivalent to RMB4,474,000) for the six months ended 30 June 2021 was recognized by the Company.

Material Investments in Subsidiaries/Future Material Investment Plans

1. During the Period, the Group continued to invest approximately RMB592,123,00 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 RMB400,000,000 in the new production lines, construction of which is already underway and is expected to be in operation by the end of 2023.
3. During the Period, the Group planned to invest approximately RMB600,000,000 in the new production lines, which are expected to be successively put in operation in 2024.
4. 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.

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 2021.

Capital Commitment

As at 30 June 2021, the capital commitment that the Group and the Company had contracted for but not provided in the financial statements amounted to approximately RMB1,704,551,000 (same period in 2020: approximately RMB766,489,000).

REVIEW AND OUTLOOK

During the Period, there was a resurgence in health care services of medical institutions as the COVID-19 pandemic in the PRC was effectively contained. The Company's product and market diversification strategies and resource integration measures have demonstrated continuous anti-risk capabilities. The Company will continue to implement the established strategies. It adheres to product mix optimisation and adjustment strategy, accelerates product upgrade and replacement and enhances efforts on technological transformation to improve production efficiency and product quality. The Company integrates marketing resources to improve efficiency of new product sales through the sharing of internal channel resources.

Building an ecosystem with diversified products and a collaborative and efficient organisational system and through our platform strategy, the Company will provide an enriched product mix and holistic solutions to medical institutions and patients to improving efficiency and quality of service.

Through the integration and exploration of data resources, process optimization and digital empowerment, etc., the Company established a digital management platform with strategic execution at its core to promote digital transformation of management.

The Company will continue to enhance its innovation capabilities, deploy a portfolio of professional medical device products with high value-added, increase investment of resources in research and development, actively engage in external cooperation and accelerate the launch of new products.

The Company actively responded to and participated in the reform initiatives of domestic medical industry and provided high-quality products and services to meet clinical needs. The Company will consolidate and increase market share for collectively procured products.

Enhancing coordination in overseas markets, the Group will accelerate global business integration and resource sharing.

The management believes that, by relying on extensive business layout and high-quality products, insisting on the business strategy of adapting to market and focusing on future, as well as motivating the creativity of employees, the Company will continue to maintain its leading market position in the PRC. Meanwhile, the Company will promote global resource sharing to achieve coordinated development of domestic and foreign markets, which in turn, would underpin the stable growth in the operating results of the Group.

SPIN-OFF AND SEPARATE LISTING OF SHANDONG WEIGAO ORTHOPAEDIC DEVICE COMPANY LIMITED ON THE SCI-TECH BOARD

The Separate Listing of Shandong Weigao Orthopaedic Device Company Limited (“**Weigao Ortho**”) on the Sci-Tech Board and the Offering have been completed and listing of ordinary shares of Weigao Ortho has been commenced on 30 June 2021.

GRANT OF SHARE AWARDS

On 17 November 2014, the Shareholders approved the adoption of the Share Award Scheme. The Share Award Scheme has a term of ten years from the date of adoption. Under the Share Award Scheme, the directors of the Company are authorised to allot and issue up to a maximum of 223,818,616 Non-listed Domestic Shares, which represents 5% of the issued share capital of the Company as at the date of adoption of the Share Award Scheme. As at the Latest Practicable Date, 45,960,000 share awards have been granted. The outstanding number of share awards that may be granted under the Share Award Scheme is 177,858,616 Non-listed Domestic Shares. The issue price of the Award Shares under the Share Award Scheme shall be the net asset value per share in the share capital of the Company as set out in the audited consolidated financial statements of the Company in the last financial year immediately preceding the date of the grant of the award shares. The outstanding number of share awards that may be granted during the remainder term of the Share Award Scheme is 129,558,616 Non-listed Domestic Shares. Details of the Grant of Share Awards could be referred to circular of the Company dated 10 February 2021.

The Company obtained approval from shareholders and the CSRC in respect of the Company's plan for the allotment and issue of the award shares to the Grantees under the Share Award Scheme on 8 March 2021 and 3 August 2021 respectively.

PROPOSED INTERIM DIVIDEND

The Board recommended the distribution of an interim dividend of the RMB0.077 per share (same period in 2020: RMB0.062 per share) for the six months ended 30 June 2021. Such proposal is subject to the approval of the shareholders of the Company (the “**Shareholders**”) at the forthcoming extraordinary general meeting (“**Extraordinary General Meeting**”) to be held on Friday, 24 September 2021.

EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Attending and Voting in the Extraordinary General Meeting

In order to determine the shareholders who are entitled to attend and vote at the Extraordinary General Meeting, the register of members of the Company for H Shares will be closed from Saturday, 18 September 2021 to Friday, 24 September 2021 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for attending and voting in the 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 Friday, 17 September 2021.

In order to qualify for attending the Extraordinary General Meeting:–

Notice of Extraordinary General Meeting. Wednesday, 1 September 2021

Latest time to lodge in the transfer
instrument accompanied
by the share certificates 4:30 p.m., Friday,
17 September 2021

Closure of register of members of
the Company for attendance of
the Extraordinary General Meeting. Saturday, 18 September 2021 to
Friday, 24 September 2021

Date of Extraordinary General Meeting Friday, 24 September 2021

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 Friday, 1 October 2021 to Tuesday, 5 October 2021 (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 Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 30 September 2021.

In order to qualify to entitle the interim dividend for the six months ended 30 June 2021:

Latest time to lodge in the transfer instrument accompanied by the share certificates 4:30 p.m., Thursday, 30 September 2021

Closure of register of members of the Company for entitlement of interim dividend Friday, 1 October 2021- Tuesday, 5 October 2021

Record date for entitlement of interim dividend Tuesday, 5 October 2021

Despatch date of interim dividend Friday, 5 November 2021

The interim dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Friday, 5 November 2021. 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 24 September 2021, the date on which the interim dividend to be declared.

DISCLOSURE OF INTERESTS

Directors' Interests and Long Position in Shares

As at 30 June 2021, 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. Chen Lin	Personal	Beneficial owner	196,000	0.004%
Mr. Long Jing	Personal	Beneficial owner	960,000	0.021%
Mr. Cong Rinan	Personal	Beneficial owner	400,000	0.009%

In addition, Mr. Chen Lin is the son of Mr. Chen Xue Li, the ultimate de facto controller of Weigao Holding Company Limited.

**(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. Chen Lin	Beneficial owner	9,760,000	0.81%

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 51.7% by Mr. Chen Xue Li, 7.4% by Mr. Chen Lin and 7.5% by 威海市創鑫投資合伙企业 (有限公司).

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	2,099,755,676 (L)	46.43 (L)
威海威高國際醫療投資控股有限公司 (Weihai Weigao International Medical Investment Holding Company Limited*)	2,099,755,676 (L)	46.43 (L)
威高集團有限公司 (Weigao Holding Company Limited*)	2,099,755,676 (L)	46.43 (L)

Note: (L) – Long Position

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2021, sales to the Group’s five largest customers accounted for 5.1% of the total sales for the Period and sales to the largest customer accounted for 1.4% of the total sales for the Period.

For the six months ended 30 June 2021, purchases from the Group’s five largest suppliers accounted for 13.1% of the total purchases for the Period and purchases from the largest supplier accounted for 6.0% 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 two executive Directors, three non-executive Directors 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. Zhang Huawei has been resigned as chairman of the Board and an executive director of the Company with effect from 30 March 2021.
2. Mr. Wang Yi has been resigned as the vice chairman of the Board and an executive director of the Company with effect from 30 March 2021.
3. Mr. Long Jing has been resigned as a chief executive officer of the Company and has been appointed as chairman of the Board with effect from 30 March 2021.
4. Mr. Chen Lin has been appointed as a non-executive director of the Company with effect from 8 March 2021.
5. Mr. Tang Zhengpeng has been appointed as a non-executive director of the Company with effect from 8 March 2021.
6. Mr. Cong Rinan has been appointed as the chief executive officer of the Company with effect from 30 March 2021 and has been appointed as an executive director of the Company with effect from 24 May 2021.
7. Mr. Lian Xiaoming has been appointed as a non-executive director of the Company with effect from 24 May 2021.

Except for the above, pursuant to Rule 13.51B of the Listing Rules, no changes of information on director or 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 Mingzhong and Mrs. Wang Jinxia, being independent non-executive Directors and Mr. Tang Zhengpeng, 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 2021 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 2021, 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 2021 have been reviewed by the Audit Committee.

By Order of the Board
**Shandong Weigao Group Medical
Polymer Company Limited**
Long Jing
Chairman

27 August 2021

Weihai, Shandong, the PRC

As at the date hereof, the Board comprises of:

Mr. Long Jing (*Executive Director*)

Mr. Cong Rinan (*Executive director*)

Mr. Tang Zhengpeng (*Non-executive Director*)

Mr. Chen Lin (*Non-executive Director*)

Mr. Lian Xiaoming (*Non-executive Director*)

Mr. Lo Wai Hung (*Independent non-executive Director*)

Mrs. Fu Mingzhong (*Independent non-executive Director*)

Mrs. Wang Jinxia (*Independent non-executive Director*)