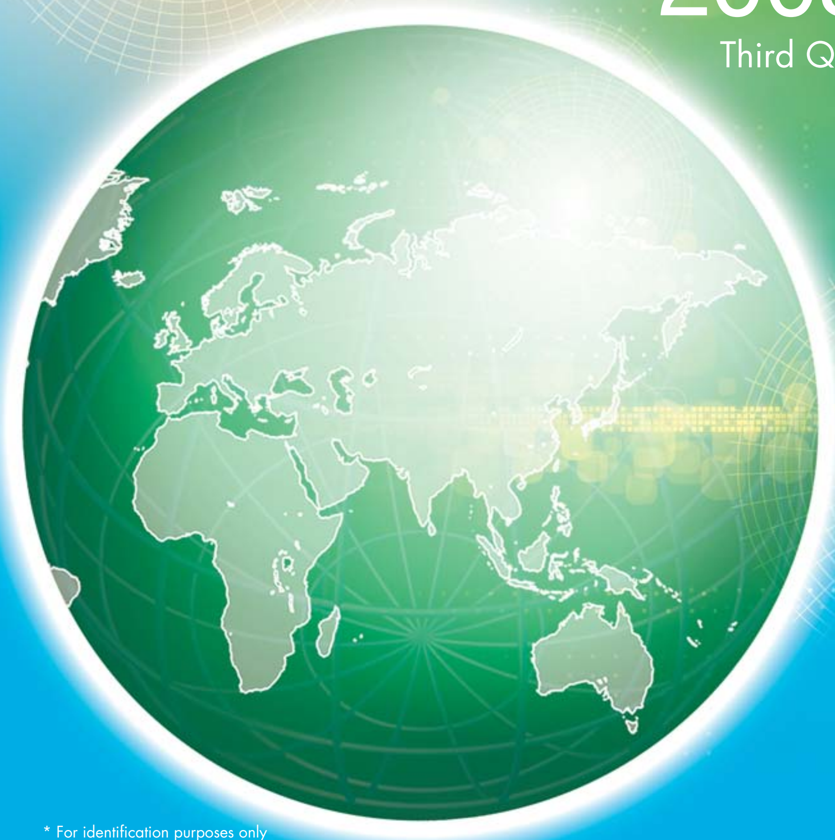
Shandong Weigao Group Medical Polymer Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code : 8199)

2008

Third Quarterly Report



* For identification purposes only

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The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Shandong Weigao Group Medical Polymer Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief; (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

For the nine months ended 30 September 2008, the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company" and together with its subsidiaries, the "Group") was approximately RMB1,143,692,000, representing an increase of approximately 47.1% from RMB777,387,000 for the corresponding period last year.

Unaudited net profit attributable to the shareholders for the nine months ended 30 September 2008 was approximately RMB327,596,000, representing an increase of approximately 65.0% from approximately RMB198,596,000 for the corresponding period last year.

During the period, the Group continued the strategy in improving the product mix. The Group focused on the business development of orthopaedic products, blood purification products and increased the marketing and sales effort on high value-added products such as intravenous catheters, high-end infusion sets, safety auto disable syringes, and phased out the production of some low value-added products. The achievement was remarkable. Because of the effective product mix adjustment, it not only counteracted the effect of increased in raw material costs, it has further increased the gross profit margin to 47.1% from 44.1% for the corresponding period last year.

Shandong Weigao Orthopaedic Device Company Limited ("Weigao Orthopaedic"), a wholly owned subsidiary of the Company, has been expanding steadily in the market. For the nine months ended 30 September 2008, the unaudited turnover of Weigao Orthopaedic was approximately RMB136,418,000, representing an increase of approximately 90.9% from approximately RMB71,461,000 for the corresponding period last year. Medtronic Weigao Orthopaedic Device Company Limited, a joint venture held as to 49% by the Company and 51% by Medtronic International Limited (("Medtronic International"), a wholly owned subsidiary of Medtronic Inc. ("Medtronic")) commenced operations on 10 September 2008.

Market development for specialised infusion set with specified dosage control device and infusion sets made of proprietary thermoplastic elastomers ("TPE"), a non PVC based material, has made significant progress during the period, driving the Group's turnover of infusion sets to RMB277,307,000, representing an increase of 42.5% over the corresponding period of last year. With market competition phasing out poor quality products, the Group's advantage position in high end infusion set market is further strengthened.

The market share of the Group's needle products, particularly intravenous catheters, has been growing rapidly. Needle products recorded a turnover of RMB185,390,000 during the period, representing a growth of 108.2% over the corresponding period last year. It contributed significantly to the Group's profit.

The plasma segregator of Weihai Weigao Blood Purified Product Co., Limited ("Weigao Blood"), a subsidiary of the Company, has been launched to the market. Turnover recorded during the period was RMB20,933,000, representing a growth of 107.8% over the corresponding period last year. In 2007, Weigao Blood invested approximately RMB105,780,000 to purchase a polymer membrane dialysis device production line. It is anticipated that the production line will be put into operation in the fourth quarter of 2008. The product series in blood purification is expected to be a major profit growth driver of the Group in the future.

During the period, the Group invested in and introduced glass tube production line for pre-filled syringes and the trial production has been successful. Pre-filled syringes are extensively used in vaccination and package injection drugs with good market potential in the PRC. Currently, the glass tube materials used for the production of pre-filled syringes rely on import. With the production of the glass tube inhouse, it resolved the bottleneck for the prefilled syringes production and enhancing the Group's profitability. During the period, turnover of pre-filled syringes amounted to approximately RMB35,926,000, representing an increase of 102.0% over the corresponding period last year.

During the period under review, with the effective change in the product mix, turnover from high value-added products (gross profit margins of over 60%) increased to 44.2% of the Group's total turnover(2007: 33.8%). The Directors believe that with the enhancement of the Group's capabilities in research and development, manufacturing and marketing, the percentage of turnover derived from high value-added products will be further increased to over 50% of the Group's turnover in the coming two years.

The Board of Directors (the "Board") did not propose to declare an interim dividend for the nine months ended 30 September 2008.

CONSOLIDATED RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the nine months ended 30 September 2008, together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
		2008	2007	**2008**	2007
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	2	**1,143,692**	777,387	**445,907**	306,663
Cost of sales		**(604,767)**	(434,313)	**(234,078)**	(164,849)
Gross profit		**538,925**	343,074	**211,829**	141,814
Other income		**24,460**	25,327	**7,648**	10,561
Distribution costs		**(172,129)**	(116,476)	**(59,752)**	(42,882)
Administrative expenses		**(71,706)**	(56,927)	**(24,507)**	(23,274)
Finance costs	4	**(19,548)**	(14,909)	**(7,354)**	(3,365)
Share of results of a jointly controlled entity		**50,047**	42,922	**17,640**	18,285
Share of profit of a joint venture		**305**	—	**305**	—
Profit before taxation	5	**350,354**	223,011	**145,809**	101,139
Taxation	6	**(23,995)**	(10,082)	**(9,151)**	(7,443)
Profit for the year		**326,359**	212,929	**136,658**	93,696
Attributable to:					
Equity holders of the Company	7	**327,596**	198,596	**136,928**	87,745
Minority interests		**(1,237)**	14,333	**(270)**	5,951
		326,359	212,929	**136,658**	93,696
Dividends paid		**58,738**	32,853	**—**	—
Dividends proposed	8	**56,747**	33,849	**—**	—
Earnings per share (Basic)	9	**RMB0.329**	RMB0.202	**RMB0.138**	RMB0.088

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), Accounting Principles Generally Accepted in Hong Kong, Hong Kong Financial Reporting Standards (the "HKFRS") and the relevant disclosure requirements of the GEM Listing Rules of the Stock Exchange. The accounts are prepared under the historical cost convention.

The accounting policies adopted and methods of computation used in the preparation of these consolidated financial information are consistent with those used in the financial statements for the year ended 31 December 2007.

The Group has adopted the new and amended Hong Kong Financial Reporting Standards ("new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2008. The adoption of the new HKFRSs had no material effect on the preparation of the results for the current accounting period and/or previous accounting years. Therefore, no adjustment is required to be made to the previous periods.

All significant intra-group transactions, balances, income and expenses have been eliminated upon consolidation.

The consolidated results for the nine months ended 30 September 2008 have not been audited by the Company's auditor but have been reviewed by the Audit Committee of the Company.

These financial reports should be read in conjunction with the audited annual financial statements for the year ended 31 December 2007.

2. Revenue

Revenue represents the fair value of the consideration received and receivable for goods sold by the Group to external customers, less sales tax and sales returns during the period.

3. Segment Information

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

Segment information about these businesses is presented below:

	For the nine months ended 30 September 2008					For the nine months ended 30 September 2007				
	Single use medical products	Orthopedic products	Other products	Eliminations	Total	Single use medical products	Orthopedic products	Other products	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue										
External sales	899,081	136,418	108,193	–	1,143,692	607,733	71,461	98,193	–	777,387
Inter-segment sales	–	–	41,009	(41,009)	–	–	–	30,460	(30,460)	–
	899,081	136,418	149,202	(41,009)	1,143,692	607,733	71,461	128,653	(30,460)	777,387
Segment results	288,019	71,087	9,318	(1,628)	366,796	184,133	39,716	5,897	(3,148)	226,598
Unallocated corporate expenses					(71,706)					(56,927)
Other income					24,460					25,327
Share of profit of jointly controlled entity					50,047					42,922
Share of gain of a joint venture company					305					–
Finance costs					(19,548)					(14,909)
Profit before tax					350,354					223,011
Income tax expense					(23,995)					(10,082)
Profit for the period					326,359					212,929

4. Finance costs

Finance costs for the nine months ended 30 September 2008 were approximately RMB19,548,000 (corresponding period in 2007: RMB14,909,000), which mainly included interests expenses for bank and other borrowings.

5. Profit before taxation

Profit before taxation has been arrived at after charging (crediting) the following:

	Unaudited For the nine months ended 30 September	
	2008	2007
	RMB'000	*RMB'000*
Provision for doubtful and bad debts	**4,773**	5,360
Amortisation of intangible assets (included in administrative expenses)	**2,335**	—
Depreciation of property, plant and equipment	**39,881**	36,330
Prepaid lease payments charged to income statement	**1,961**	1,444
Rental payments in respect of premises under operating leases	**3,134**	2,875
Research and development expenses	**38,402**	12,489
Cost of inventory recognized as expenses	**604,767**	434,313
Staff costs, including directors' remuneration		
– Retirement benefits scheme contributions	**20,886**	18,874
– Wages and salaries	**108,039**	77,525
Total staff costs	**128,925**	96,399
Net exchange profit/loss	**(7,697)**	505
Losses on disposal of property, plant and equipment	**387**	(93)
Interest income	**(3,470)**	(651)
Rental income from investment properties	**(1,691)**	(1,691)
Rebate of value-added tax ("VAT")	**(20,399)**	(21,897)

Note: 威海潔瑞醫用製品有限公司 (Weihai Jierui Medical Products Company Limited) ("Jierui Subsidiary") was recognized as a "Social Welfare Enterprise", and was exempted from VAT by Weihai government on the basis of "payment first then rebate", with effect from 1 May 1999. Pursuant to Cai Shui Guo Fa 2007 No. 92 issued by the State Council, with effect from 1 July 2007, tax exemptions of Jierui Subsidiary were based on the number of employees with disability employed by Jierui Subsidiary. Jierui Subsidiary would be granted six times the local lowest standard wages approved by Weihai government as the refund of VAT for every employee with disability, and the annual refund per employee with disability shall be subject to a maximum of RMB35,000.

6. Taxation

No provision for Hong Kong and overseas profit tax has been made as no taxable profit has been derived from Weigao International Medical Company Limited ("Weigao International") and Weigao Medical (Europe) Company Limited ("Weigao Europe"), the Group's overseas branches.

PRC Income tax is accounted for using the liability method. The taxable income on which the calculation of income tax expense is based is obtained by making corresponding adjustments to the accounting income for the current year based on the relevant requirements under the PRC Tax Law.

The Company was recognised as a "High and New Technology Enterprise". In accordance with the "Notice of the State Administration of Taxation under the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", the Company was subject to PRC income tax at a tax rate of 15%. Starting from 1 July 2004 , the Company was recognised as "Foreign Investment Enterprise" and was entitled to exemption from PRC income tax for the two years from its first profit making year, followed by a 50% tax relief for the following three years. The Company's first profit making year started in 2004. The tax charges provided for the year ended 2007 and up to 30 September 2008 were made after taking these tax incentives into account.

In accordance with the "Approval regarding Recognition of Jierui Subsidiary as a Social Welfare Entity" issued by the Civil Administration Bureau of Shandong Province, and pursuant to Cai Shui Guo Fa 2007 No. 92 issued by the State Council, Jierui Subsidiary is recognised as a "Social Welfare Entity" and is exempted from the PRC income tax for the period from the date of its recognition as a Social Welfare Entity to 30 June 2007, and with effect from 1 July 2007, shall be subject to PRC income tax at statutory tax rates, while the total amount of wages for employees with disability shall be deducted from the taxable incomes and the refund of VAT shall be deducted from PRC income tax. Jierui Subsidiary is also recognized as a "High and New Technology Enterprise". In accordance with the "Notice of the State Administration of Taxation under the Ministry of Finance regarding Certain Preferential Treatment Policies on Enterprise Income Tax", Jierui Subsidiary is subject to income tax at 15%. The tax charges provided for the year ended 2007 and up to 30 September 2008 were made after taking these tax incentives into account.

Shandong Weigao Orthopaedic Device Co., Ltd. ("Weigao Orthopaedic") is a Sino-foreign joint venture operating in the PRC and is entitled to exemption from PRC income tax for the two years starting from its first profit making year, followed by a 50% tax relief for the next three years. 2004 was the first profit making year of Weigao Orthopaedic, and Weigao Orthopaedic was recognised as a "High and New Technology Enterprise". In accordance with the "Notice of the State Administration of Taxation under the Ministry of Finance regarding Certain Preferential Treatment Policies on Enterprise Income Tax", Weigao Orthopaedic is subject to a tax rate of 15%.

Weigao Blood was recognized as a "High and New Technology Enterprise". In accordance with the "Notice of the State Administration of Taxation under the Ministry of Finance regarding Certain Preferential Treatment Policies on Enterprise Income Tax", Weigao Blood Purification is subject to a tax rate of 15%.

Taxation for other subsidiaries is calculated at a tax rate of 25%.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the Chairman of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued"Implementation Regulations of the Enterprise Income Tax Law of the PRC". The New Law and the Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. Article 57 stipulates that enterprises approved for establishment prior to the announcement of the New Law are subject to the provisions of the tax law and regulations then prevailing and enjoy preferential low tax rates. Pursuant to the State Council provisions, such enterprises may transit to the tax rate under the regime of the New Law within 5 years after implementation of the New Law. For those enjoying fixed period of tax exemption and preferential tax rates, pursuant to the State Council provisions, may continue to enjoy the preferential tax treatment until expiry after the implementation of the New Law. However, the preferential period for unutilized preferential treatment due to the absence of profits shall run from the year of implementation of the New Law.

7. **Profit attributable to equity holders of the Company**

For the nine months ended 30 September 2008, net profit attributable to equity holders of the Group was approximately RMB327,596,000 (Corresponding period in 2007: RMB198,596,000).

8. **Dividend**

There are no dividends declared for the three months ended 30 September 2008. (Corresponding period in 2007: Nil).

9. **Earnings per share**

For the nine months ended 30 September 2008, basic earnings per share were calculated based on net profits attributable to equity holders of approximately RMB327,596,000 (Corresponding period in 2007: approximately RMB198,596,000), and on the weighted average total number of 995,560,000 shares (Corresponding period in 2007: 982,227,000 shares).

No diluted earnings per share are presented for the nine months and three months ended 30 September 2008, as no potential ordinary shares were outstanding during the period.

10. MOVEMENTS IN RESERVES

	Share capital RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 (Note b)	Exchange difference from foreign currency statements RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
THE GROUP								
As at 31 December 2006	96,556	233,752	70,326	—	298,106	698,740	49,106	747,846
Issue of H Shares	3,000	384,820	—	—	—	387,820	—	387,820
Total profit and revenue recognized during the year	—	—	—	—	308,149	308,149	21,193	329,342
Exchange profit/loss arising from foreign currency transactions	—	—	—	(244)	—	(244)	—	(244)
Dividend paid	—	—	—	—	(66,703)	(66,703)	(2,400)	(69,103)
Distributions	—	—	40,891	—	(40,891)	—	—	—
Contributions from minority interests	—	—	—	—	—	—	400	400
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(11,066)	(11,066)
As at 31 December 2007	99,556	618,572	111,217	(244)	498,661	1,327,762	57,233	1,384,995
Total profit and revenue recognized during the year	—	—	—	—	327,596	327,596	(1,237)	326,359
Exchange profit/loss arising from foreign currency transactions	—	—	—	(392)	—	(392)	—	(392)
Dividend paid	—	—	—	—	(58,738)	(58,738)	—	(58,738)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(51,792)	(51,792)
As at 30 September 2008	99,556	618,572	111,217	(636)	767,519	1,596,228	4,204	1,600,432

(a) **Bases for appropriation to reserves**

Appropriations to statutory surplus reserve and statutory public welfare fund have been calculated based on net profit in the financial statement prepared under the generally accepted accounting principles of the PRC ("PRC GAAP").

(b) **Statutory surplus reserve**

The Articles of Association of the Companies under the Group (other than Weigao International and Weigao International requires that 10% of the profit after taxation should be transferred to the statutory surplus reserve in accordance with the PRC GAAP, until it has reached 50% of the registered capital. Pursuant to the Articles of Association of the Companies under the Group, under normal circumstances, statutory surplus reserves can only be used to make up for losses, convert into share capital by way of capitalisation, and for the expansion of the Company's production and operation. In the event of conversion of the statutory surplus reserve into share capital by way of capitalisation, the balance of the 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, the companies under the Group ceased to transfer from statutory public welfare fund. As at 31 December 2005, the statutory public welfare fund was part of the share capital of the shareholders, which could not be distributed other than for the purpose of liquidation. The Board of Directors resolved that under the Company Law of the PRC, the statutory public welfare fund of RMB17,147,000 as at 1 January 2006 was transferred to the statutory surplus reserve.

According to the laws and regulations of the PRC, distributable profit of the Company was determined at the lower of such amount calculated based on the accounting principles and regulations of the PRC or the generally accepted accounting principles of Hong Kong. As at 30 September 2008, retained earnings distributable to shareholders were approximately RMB269,927,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

International collaboration

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

During the period, the Group achieved significant progress regarding collaboration with international corporations.

On 18 December 2007, the Company signed an agreement with Medtronic in relation to the issue of 80,721,081 new H Shares by the Company to Medtronic Holding Switzerland GmbH ("Medtronic Switzerland"), a wholly owned subsidiary of Medtronic, and the sale of 80,721,081 existing Domestic Shares by Weigao Holding Limited and management shareholders to Medtronic Switzerland, each representing 7.5% of the Company's enlarged share capital, and in aggregate representing 15% of the Company's enlarged share capital. According to the supplementary agreement entered into by the parties on 22 October 2008, in order to secure more time for obtaining government approval, the parties extended the completion date of the transactions to 31 December 2008. The Company anticipates that the issue of the new H Shares and the sale of Domestic Shares will be completed before 31 December 2008.

On 18 December 2007, the Company signed an agreement with Medtronic International in relation to the establishment of a distribution joint venture for the distribution of orthopaedic products in the PRC. The joint venture commenced operations on 10 September 2008. The distribution joint venture is held as to 49% by the Company and 51% by Medtronic International.

On 9 January 2008, the Company and Biosensors International Group, Ltd. ("Biosensors") entered into a sale and purchase agreement (the "SPA"), pursuant to which Biosensors agreed to purchase and the Company agreed to sell 30% equity interest in JW Medical Systems Limited ("JW Medical"). On 9 January 2008, the Company and Biosensors also entered into the put option agreement ("Put Option Agreement") pursuant to which Biosensors agreed to grant to the Company a put option in respect of the remaining 20% equity interest in JW Medical. As the PRC government approvals required for the SPA and the Put Option Agreement to proceed have not been obtained by 30 September 2008, the SPA and the Put Option Agreement lapsed and the transactions contemplated under the SPA and the Put Option Agreement will not proceed. The Company and Biosensors will continue to explore ways of strategic collaboration.

These international collaborations will further expand the Group's businesses, strengthen its research and development capabilities. They also lay a solid foundation for the Group to become a leader in the medical device industry in Asia by leveraging on the Group's advantages in customers' resources and manufacturing capabilities in the PRC market. The Group will also capitalise on the opportunities of international collaborations, to strengthen its management concept and methods, operating system, human resources, technology application, products portfolio and market positioning, and to enhance the core competitiveness of the Group.

OPTIMIZATION ADJUSTMENTS TO PRODUCT MIX

During the period, the Group continued the strategy of improving the product mix. The Group focused on the business development of orthopaedic products, blood purification products and increased the marketing and sales effort on high value-added products such as intravenous catheters, high-end infusion sets, safety auto disable syringes, and phased out the production of some low value-added products. The achievement was remarkable.

During the period, Weigao Orthopaedic, a subsidiary of the Company, achieved solid market expansion. For the nine months ended 30 September 2008, Weigao Orthopaedic recorded a turnover of approximately RMB136,418,000, representing an increase of 90.9% from RMB71,461,000 for the corresponding period last year.

The plasma segregator of Weigao Blood has been launched to the market. Turnover recorded during the period was RMB20,933,000, representing a growth of 107.8% over the corresponding period last year. In 2007, Weigao Blood invested approximately RMB105,780,000 to purchase a polymer membrane dialysis device production line. It is anticipated that the production line will be put into operation in the fourth quarter of 2008.

Production and sales of drug-eluting stents by JW Medical Systems Limited ("JW Medical"), which is 50% held by the Company, was affected by Beijing Olympic Games during the quarter, and there was a decrease compared with the corresponding quarter last year. For the nine months ended 30 September 2008, profit contribution to the Group amounted to RMB50,047,000, representing an increase of 16.6% over the corresponding period last year. The Company expects that due to the keen competition and the impact during the Olympic Games, profit contribution from JW Medical to the Group for the year will be below the target set at the beginning of the year.

The needle products, including intravenous catheter of the Group, have demonstrated a strong growth potential. During the period, the Group increased its efforts in the marketing and sales of needle products driving continuous strong sale growth. The Group recorded a remarkable turnover of needle products of approximately RMB185,390,000, representing an increase of 108.2% compared with the corresponding period last year. The Directors believe that needle products will continue to be an important area for further development.

Market development for specialised infusion set with specified dosage control device and infusion sets made of proprietary thermoplastic elastomers ("TPE"), a non PVC based material, of the Group has made significant progress during the period. Sales of the Group's infusion sets to increase by 42.5% over the corresponding period last year. With market competition that phasing out poor quality products, the Group's advantage position in high end infusion set market is further strengthened.

During the period, the Group invested in and introduced glass tube production line for pre-filled syringes and the trial production has been successful. Pre-filled syringes are extensively used in vaccination and package injection drugs with good development prospects in the PRC. Currently, the glass tube materials used for the production of pre-filled syringes in the market rely on import. With the production of the glass tube in house, it resolved the bottleneck for pre-filled syringe production and enhanced the Group's profitability. During the period, turnover of pre-filled syringes amounted to approximately RMB35,926,000, representing an increase of 102.0% over the corresponding period last year.

During the period under review, the Group benefited from the adjustments to the product mix and the effect has been remarkable. The percentage of turnover from high value-added products (gross profit margins of over 60%) to the total turnover of the Group increased to 44.2% (2007: 33.8%), the effect of the adjustments has been remarkable. The Directors believe that with the enhancement of the Group's capabilities in research and development, manufacturing and marketing, the percentage of turnover derived from high value-added products will be further increased to over 50% in the coming two years.

RESEARCH AND DEVELOPMENT

For the nine months ended 30 September 2008, the Group obtained 12 new patents and is applying for 11 new patents. Product registration certificates for 17 new products were obtained. Research and development were completed for 22 products and application for product registration certificates are underway. By placing strong emphasis on research and development, it enhances the Group's competitiveness and allows the Group to leverage on its customer base and provides the Group with new growth drivers.

As at 30 September 2008, the Group has over 170 product registration certificates and over 130 patents, of which 11 are patents on invention.

During the period, the Company and Changchun Institute of Applied Chemistry of Chinese Academy of Sciences jointly developed polylactic acid biodegradable based single-use syringe, which is a new product both in the PRC and overseas markets. It also improves on the current disposable syringes made of durable materials which will cause environmental pollution and the problem of cross-contamination. Lower cost of polylactic materials also enhances the product competitiveness.

During the period, the TPE based single-use medical infusion set of the Company has been successfully launched in the market, and the sales are extensive. The invention patent of the product is owned by the Company. The invention provided the critical material to replace PVC based infusion set. TPE has no drug absorption and adhesive properties. It provides a safe drug infusion.

During the period, the Group and Dalian Chemistry-Physics Research Institute of the Chinese Academy of Sciences jointly developed the product of polysulfone membrane synthetic dialyzer. The project has been awarded by National Development and Reform Commission and was recognized as "National High Tech Exemplary Asset And Engineering Project". The project is highly supported by the State government. The product breaks the dominance by overseas players in the market. The development enhances the innovative capabilities of medical enterprises and promotes adjustment to product mix in the industry. It also drives the development and growth of biomedical engineering related business. It is a significant achievement in the Group's blood purification product series.

In view of the strategic adjustments to product mix, the Group continued to increase investments in the research and development in a number of areas, so as to further upgrade products and expand product range. The Group continued to maintain its leading position in its research and development capability in the PRC. For the nine months ended 30 September 2008, the total research and development expenses amounted to approximately RMB38,402,000 (2007: RMB12,489,000), representing 3.36% of the total turnover of the Group.

PRODUCTION

For the nine months ended 30 September 2008, production volumes of the Group's products as compared with the corresponding period in 2007 were as follows:

		For the nine months ended 30 September		
Product name	**Measurement Unit**	**2008**	2007	**Increase**
Infusion (transfusion) sets	1,000 sets	**222,439**	177,740	25.1%
Transfusion consumables	1,000 pieces	**12,276**	10,310	19.1%
Syringes	1,000 sets	**400,395**	341,540	17.2%
Needle products	1,000 sets	**1,612,037**	1,323,970	21.8%
Dental and anesthetic products	1,000 pieces	**1,784**	1,520	17.4%
Pre-filled syringes	1,000 sets	**12,820**	6,190	107.1%
Blood sampling products	1,000 sets	**101,810**	62,330	63.3%
Orthopaedic products	1,000 pieces	**2,001**	675	196.5%
PVC granules	Tones	**9,022**	8,857	1.9%
Others	1,000 pieces	**125,689**	92,996	35.2%

During the period, the Group implemented strategic adjustment to the product mix, increased the proportion of high value-added products production, phased out the production of low valued added products with low profitability, thus enhancing profit contribution and ultimately increasing the overall profitability of the Group.

Production of orthopaedic products increased significantly as compared with the corresponding period of last year. It was mainly driven by the increase in the sales of orthopaedic products and the production volume of orthopaedic surgery tools.

MARKETING AND SALES

The trademark of "Jierui" of the Group was accredited as "China Top Brand" by China Promotion Committee, thereby making the Group to become the first enterprise in the medical device industry in the PRC to possess both "China Reputable Brand" and "China Top Brand" at the same time.

The Group continued to integrate its sales channels and adjust the product mix and the results have been remarkable.

During the period, the Group strengthened its sales management system, strengthened developing direct sales customers, integrated customers resources and phased out low profitability customers. For the nine months ended 30 September 2008, the Group has newly secured new customers of 34 hospitals and 1 blood station. The Group transferred a number of community medical units to be covered by distributors and some distributors of less competitive are being phased out or merged and become the second tier distributors, thereby reducing other medical units by 30 and corporate customers by 65. As at the date of the report, the Group has a customer base of 5,363 (including 2,839 hospitals, 413 blood stations, 667 other medical units and 1,444 trading companies).

Comparison of the sales by geographical areas over the corresponding period in the previous year is set out as follows:

Revenue by geographical segments
For the nine months ended 30 September

Region	**2008**		2007		Growth
	RMB'000	**%**	*RMB'000*	%	%
Eastern and Central	**432,811**	**37.8**	301,205	38.7	43.7
Northern	**244,342**	**21.4**	158,859	20.4	53.8
Northeast	**163,696**	**14.3**	113.684	14.6	44.0
Southern	**122,728**	**10.7**	81,711	10.5	50.2
Southwest	**94,822**	**8.3**	54,259	7.0	74.8
Northwest	**35,108**	**3.1**	27,452	3.5	27.9
Overseas	**50,185**	**4.4**	40,217	5.3	24.8
Total	**1,143,692**	**100.0**	777,387	100.0	47.1

Integration of channels has strengthened the Group's market penetration and the customer relationship with direct sales high-end customers. It enhanced contribution rate of a single customer significantly and reduced selling expenses. The average turnover of single customer increased by approximately 45.4% over the corresponding period of last year. Integration of channels has strengthened the Group's market penetration in high-end direct sales customers. The continued enhancement of product penetration rate with high-end customers is the Group's important strategy of enhancing revenue growth and reducing selling expenses.

Adjustment in product mix is another important factor in enhancing the results for the period. During the period, the Group focused on the sale and marketing of high value-added products such as orthopaedic products, needle products, pre-filled syringes and high-end infusion sets. It has significantly increased the proportion of sales generated from high value-added products. Comparison of the sales of the principal products with that of the previous period is set out as follows:

Product category	For the nine months ended 30 September 2008	2007	Growth
	RMB'000	*RMB'000*	*%*
Self-produced product consumables			
Self-produced products			
– Infusion sets	**277,307**	194,587	42.5%
– Syringes	**205,242**	167,909	22.2%
– Medical needle products	**185,390**	89,058	108.2%
– Blood bags	**84,599**	71,914	17.6%
– Pre-filled syringes	**35,926**	17,789	102.0%
– Blood sampling products	**31,157**	17,485	78.2%
– Dental and anesthetic products	**14,388**	10,289	39.8%
Other consumables	**52,602**	45,288	16.2%
Sub-total of consumables	**886,611**	**614,319**	**44.3%**
Orthopaedic products	**136,418**	71,461	90.9%
Blood purification consumables	**20,933**	10,072	107.8%
PVC granules	**56,730**	53,876	5.3%
Trading products			
– Medical instruments	**30,530**	23,720	28.7%
– Other products	**12,470**	3,939	216.6%
Total	**1,143,692**	**777,387**	**47.1%**

HUMAN RESOURCES

As at 30 September 2008, the Group employed a total of 6,355 employees. Breakdown by departments is as follows:

Departments	Number of employees
Research and development	339
Sales and marketing	748
Production	4,851
Purchasing	23
Quality control	116
Management	60
Finance and administration	218

During the period, the Group increased further resources in research and development and recruited 128 employees in research and development department to strengthen the Group's competitiveness in research and development. As Weigao Orthopaedic, a wholly owned subsidiary of the Group, had transferred its sales staff to the distribution joint venture with Medtronic International in orthopaedic distribution, resulting in the decrease in the number of employees in the Group's sales and marketing department.

During the period, in order to expand the production capacities in conventional consumables and orthopaedic products; and to consolidate the Group's leading position in the single-use consumable market in the PRC, the Group implemented internationalization strategy and increased the number of production workers by 794 compared with the beginning of the period.

Save as the qualified accountant and the company secretary, who reside in Hong Kong, all employees of the Group reside in the PRC. For the nine months ended 30 September 2008, total amount of staff salaries, welfare and various funds amounted to approximately RMB128,925,000.

FINANCIAL REVIEW

FINANCIAL SUMMARY

During the period, the Group overcome various unfavorable factors such as the significant increase in the costs of raw materials, energy and labour, and continued to achieve higher gross profit margin. The Group recorded significant growth in both turnover and net profit attributable to shareholders.

For the nine months ended 30 September 2008, unaudited turnover and net profit recorded by the Group were approximately RMB1,143,692,000 and RMB327,596,000 respectively, representing a growth of 47.1% and 65.0% as compared with approximately RMB777,387,000 and RMB198,596,000 in the corresponding period of 2007 respectively.

The significant growth in turnover and profit was mainly due to the adjustments to the business and product mix, enhancement in the operation efficiency and efforts in exploring new businesses.

With the expected drop in raw material prices in the international market, the Directors anticipate that the pressure on the cost of the Group's conventional consumables in the fourth quarter will be reduced.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position for the nine months ended 30 September 2008. As at 30 September 2008, the Group had a total cash balance of approximately RMB287,227,000.

During the period, the Group obtained additional bank borrowings of approximately RMB425,234,000 and repaid bank borrowings of approximately RMB227,027,000. As at 30 September 2008, the total amount of short term loans was approximately RMB155,068,000 and the total amount of long term loans was approximately RMB381,566,000.

Total interest expense of the Group during the period was approximately RMB19,548,000.

GEARING RATIO

As at 30 September 2008, the Group's gearing ratio was 0.16, calculated on the basis of the Group's total borrowings (after deducting cash and bank balances) to the total equity attributable to shareholders (total net cash in corresponding period in 2007 was RMB31,374,000). Change in the ratio was mainly due to the increase in the Group's investment in expanded businesses.

FOREIGN EXCHANGE RISKS

The Group's purchases and sales are mainly conducted in the PRC. Its assets, liabilities and transactions are mainly denominated in RMB. During the period, the Group has not encountered any material difficulty due to currency fluctuation nor shortage of operating funds. For the nine months ended 30 September 2008, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

At the beginning of the year, the Company obtained an additional long term loan from the International Finance Corporation, a member of World Bank Group in the amount of US$20 million. Due to the change in exchange rates, foreign exchange gain equivalent to approximately RMB7,697,000 for the period ended 30 September 2008 was recognised.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2008.

MATERIAL INVESTMENTS AND FUTURE MATERIAL INVESTMENT PLANS

On 18 December 2007, the Company acquired 22% and 25% equity interests in Weigao Orthopaedic from Weihai Fumaite Trading Company and Howell (Hong Kong) Limited at a consideration of RMB110,000,000 and RMB125,000,000 respectively. The Company's equity interest in Weigao Orthopaedic was increased to 100%. The application for the business licence registration has been completed on 7 August 2008.

As at the date of this report, the joint venture company between the Company and Medtronic International in orthopaedic distribution has been approved by the PRC government, and the joint venture has been put into operation. The transactions regarding the investment by Medtronic Switzerland in 7.5% of the Company's enlarged H Shares and the transfer of 7.5% of domestic shares on an enlarged basis are still pending for approval. The Directors expect the transactions to be completed by 31 December 2008.

Save for the above material investment plans, the Group has no material capital commitments or any plans of significant investments or capital assets acquisition in the near future as at 30 September 2008, and there are no material acquisition and disposal in any other subsidiary and associate during the period.

CAPITAL COMMITMENTS

As at 30 September 2008, the capital commitments of the Group contracted but not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB67,795,000, including the outstanding amount in respect of the acquisition of polymer membrane dialyser production line. The amount will be paid by the Group out of the proceeds from the issue of shares and the internal resources of the Group.

OUTLOOK

During the period, the global macro economy fluctuated, inflation intensified, and crude oil price experienced record high, major commodity prices such as steel and plastic increased substantially at record high level in the year. The significant increase in raw materials prices has aggravated the operation difficulties in respect of conventional products in the industry, and majority of the conventional products are loss making.

Facing such situation, the Group fully leveraged its advantages of diversification of products types and specification, and actively promoted adjustments in product mix. The Group increased sales in intravenous catheters, micro-dosage, light-proof, TPE high-end infusion set products, and high margin products such as plastic blood sampling tubes, safety syringes, and significantly reduced the production of conventional products of infusion sets, syringes and blood bags. While ensuring basic market supplies, the Group has successfully transferred the pressure of rising raw material costs and actively promoted adjustments in product mix, and has consolidated the leading position of the Group in the industry of high value-added consumables and laid a solid foundation for further adjustments in product mix.

Facing the continuing appreciation of Renminbi since the beginning of this year, the Group adopted a conservative strategy by adjusting export sales of the product mix. The Group reduced the export of conventional products so as to minimize the currency risk from conventional products export sales. Under the principle of mutual trust and benefit when building up a strategic collaboration with the top tier international medical device purchasing group, the Group will continue to promote the export sales of its own branded products in the coming years in its overseas strategy.

During the period, the performance of JW Medical has been affected by Beijing Olympic Games. It is the first time since the stent was first launched to the market that it experienced a quarter on quarter drop in the results. Profit per stent experienced significant drop since fourth quarter last year. It is expected that it will be difficult to meet the target profit set for the year. The decrease in profit from stent demonstrates the potential risk of selling one single type of product. The Group will continue to strengthen the research capability and enhance the product ranges of cardiac product series and to realize continuing growth by innovative technology and improvement in product mix.

Looking ahead, the Directors expect that with an increase in awareness in health care and demand in medical treatment, it will drive the rapid growth of the single-use medical devices in the PRC. At the same time, the Directors anticipate that process of reforms of the medical system in the PRC will continue and intensify, presenting opportunities in regulated operation and fair competition. Affected by the drop in growth of export sales and the macro economic environment, more domestic manufacturers of conventional consumables will be in the state of thin profit or incur losses, thus will further aggravate the shortage of supplies in the market and create conditions for industry consolidation. At the same time, with the tightening in regulation on product registration and production facilities by the medical registration authorities, it enforces the regulation in raising the entry barrier to the industry. When the external conditions are favorable, and with the support of strong capital base and quality management, the Group will take advantage of the opportunities in consolidating the market.

With the continued drop in prices of raw materials in the international market since early September, the Directors anticipate that the pressure on the Group's costs will be eased substantially in the fourth quarter, and the profitability of the Group's conventional consumables may be improved and enhanced.

With the changes in the market condition, the fourth quarter will be a key period in the Group's development, it provides both opportunities and challenges to the Group. With the business breakthrough due to the product mix adjustments, when external conditions for industry consolidation are favorable, the management of the Company will continue to adopt active measures to promote product mix adjustments. In the near future, the Company will focus on the following:

1. Focusing on research and development and sale of high margin and high value single-use consumables to replace imported products of international medical device companies, and to position the Group to become a leading supplier of high-end consumables in the PRC;

2. With the right external and internal conditions, under the principle of prudent operation and through detailed investigations and studies, to expand the production capacity of conventional consumables by mergers and acquisitions so as to expand the business particularly in the fast growing county-level medical device market in the PRC, and to position the Group to become a leader of single-use consumables supplier and to better serve the PRC market;

3. Actively seeking for strategic collaboration with overseas major medical sourcing groups for hospitals to create win-win situation on the basis of mutual trust and long-term cooperation, expanding Weigao's branded products for export, and expanding the market share in single-use consumables in overseas markets;

4. Actively cooperating with Medtronic in the orthopaedic sector, so as to enable Weigao Orthopaedic and the distribution joint venture to become the major suppliers in the orthopaedic device market in the PRC, and gradually improving its design, and manufacturing capability in the orthopaedic instrument so as to compete in the global orthopaedic instrument market;

5. Ensuring a smooth trial production of the production line for dialyser products, gradually expand the production capacity for dialyser products paving the way for Weigao to become a major integrated supplier of dialysis related consumables in the PRC;

6. Enhancing recruitment and training, retaining professional, educated and young management team, so as to provide management supports for the industry consolidation.

The Board has full confidence in the future development. The Group will continue to strengthen its professional management team. By leveraging the Group's in-depth understanding of the local market, application of advanced technology and the innovative operating concept of the management, the Group and its employees are full of confidence in facing new challenges.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND LONG POSITIONS IN SHARES

As at 30 September 2008, the interests of Directors and their associates in shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(1) Long positions in domestic shares of RMB0.10 each of the Company:

Name of director	Capacity	Total number of Domestic Shares	Approximate percentage of the issued share capital of the Company
Mr. Zhang Hua Wei	Beneficial owner	10,800,000	1.08%
Mr. Miao Yan Guo	Beneficial owner	7,800,000	0.78%
Mr. Wang Yi	Beneficial owner	7,800,000	0.78%
Ms. Zhou Shu Hua	Beneficial owner	5,100,000	0.51%
Mr. Wang Zhi Fan	Beneficial owner	2,700,000	0.27%
Mr. Wu Chuan Ming	Beneficial owner	2,400,000	0.24%

In addition, Mr. Chen Lin, son of Mr. Chen Xue Li, is holder of the Company's 23,400,000 Domestic Shares, representing 2.35% of the issued share capital of the Company.

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

Name of director	Capacity	Total amount of registered capital	Approximate percentage of the registered capital of Weigao Holding
Mr. Chen Xue Li	Beneficial owner	36,600,000	30.00%
Mr. Zhang Hua Wei	Beneficial owner	29,280,000	24.00%
Ms. Zhou Shu Hua	Beneficial owner	14,579,000	11.95%
Mr. Miao Yan Guo	Beneficial owner	7,320,000	6.00%
Mr. Wang Yi	Beneficial owner	7,320,000	6.00%
Mr. Wang Zhi Fan	Beneficial owner	2,610,800	2.14%
Mr. Wu Chuan Ming	Beneficial owner	2,257,000	1.85%

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

SUBSTANTIAL SHAREHOLDER

As at 30 September 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO recorded that other than the interests disclosed above in respect of certain Directors, the following shareholder had notified the Company of relevant interest in the issued share capital of the Company.

Name of director	Capacity	Total number of Domestic Shares	Approximate percentage of the issued share capital of the Company
Weigao Holding	Beneficial owner	578,160,000	58.07%

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

Name of director	Total number of Domestic Shares	Percentage of issued share capital of H Shares
Atlantis Investment Management Ltd	69,356,000(L)	19.96%
FIL Limited	31,310,000(L)	9.01%
JPMorgan Chase & Co.	26,088,100(L)	7.51%
	26,088,100(P)	7.51%
Martin Currie (Holdings) Limited	21,768,000(L)	6.27%
Martin Currie China Hedge Fund Limited	18,856,000(L)	5.94%
New-Alliance Asset Management (Asia) Limited	18,692,000(L)	5.89%
Genesis Asset Managers, LLP	17,571,000(L)	5.06%
Wellington Management Company, LLP	17,527,900(L)	5.05%
UBS AG	15,917,000(L)	5.01%

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

Since the commencement of dealings in the H shares of the Company on GEM on 27 February 2004, except for the placing of 52,900,000 new H Shares of the Company on 30 November 2005 and placing of 30,000,000 new H shares of the Company on 19 April 2007, the Company and its subsidiaries did not purchase, sell or redeem any listed shares of the Company.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard of corporate governance. The Board considers that this is the commitment necessary to balance the interests among the shareholders, customers and the employees, as well as maintaining accountability and transparency.

The Board considers that the Company has complied with all the provisions as set out in the Code on Corporate Governance Practices in Appendix 15 of the GEM Listing Rules during the period.

AUDIT COMMITTEE

The Company has set up an Audit Committee (the "Committee") on 1 September 2002 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Company. The Committee comprises Messrs. Luan Jian Ping, Mr. Shi Huan, Mr. Lau Wai Kit, Mr. Li Jia Miao, being independent non-executive Directors, and Mrs. Zhou Shu Hua, a non-executive Director. Mr. Lau Wai Kit is the chairman of the Committee.

The Company's financial statements for the nine months ended 30 September 2008 have been reviewed by the Committee. The Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and other laws, and disclosures have been made in full.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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, as at 30 September 2008, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates has an interest in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

CODE OF MODEL CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2008, the Company had adopted the code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all Directors and the Company was not aware of any noncompliance with the required standard of dealings and the model code of conduct regarding securities transactions by Directors.

On behalf of the Board
Shandong Weigao Group Medical Polymer Company Limited
Chen Xue Li
Chairman

Weihai, Shandong, 10 November 2008

As at the date of this report, the Board comprises Mr. Zhang Hua Wei, Mr. Miao Yan Guo, Mr. Wang Yi, Mr. Wang Zhi Fan and Mr. Wu Chuan Ming as the executive Directors, Mr. Chen Xue Li and Mrs. Zhou Shu Hua as the non-executive Directors, and Mr. Luan Jian Ping, Mr. Shi Huan, Mr. Li Jia Miao and Mr. Lau Wai Kit as the independent non-executive Directors.