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**山東威高集團醫用高分子製品股份有限公司**  
**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)**

**ANNOUNCEMENT OF FIRST QUARTER RESULTS  
 FOR THE THREE MONTHS ENDED 31 MARCH 2011**

This announcement is made voluntarily by the Company pursuant to Rule 13.09(1) of the Listing Rules. The board of Directors would like to continue the practice of providing shareholders and investors with quarterly reports to enhance the transparency of the Company and its subsidiaries.

The board of Directors is pleased to announce the unaudited consolidated results of Shandong Weigao Group Medical Polymer Company Limited (the "Company" and together with its subsidiaries, the "Group") for the three months ended 31 March 2011 (the "Period"), together with the unaudited comparative figures for the same quarter in 2010 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**Consolidated statement of income**

	<b>Unaudited</b>	
	<b>For the three months ended</b>	
	<b>31 March</b>	
	<b>2011</b>	<b>2010</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	<b>693,024</b>	513,025
Cost of sales	<b>(318,539)</b>	(253,014)
Gross profit	<b>374,485</b>	260,011
Other income	<b>12,030</b>	24,099
Distribution costs	<b>(152,516)</b>	(112,532)
Administrative expenses	<b>(71,635)</b>	(60,800)
Finance costs	<b>(614)</b>	(1,290)
Share of profit of jointly controlled entities	<b>32,884</b>	34,915
Share of profit of an associate	<b>10,940</b>	10,322
Profit before taxation	<b>205,574</b>	154,725
Taxation	<b>(21,681)</b>	(13,527)
Profit for the Period	<b>183,893</b>	141,198

\* For identification purpose only

**Consolidated statement of income****Unaudited  
For the three months ended  
31 March**

	<b>2011</b>	<b>2010</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Other comprehensive income		
Exchange differences arising on translation of foreign operations	<u>(451)</u>	<u>48</u>
Total comprehensive income for the Period	<u><b>183,442</b></u>	<u>141,246</u>
Profit for the Period attributable to:		
Equity holders of the Company	<b>183,555</b>	141,009
Minority interests	<u>338</u>	<u>189</u>
	<u><b>183,893</b></u>	<u>141,198</u>
Total comprehensive income attributable to:		
Equity holders of the Company	<b>183,104</b>	141,057
Minority interests	<u>338</u>	<u>189</u>
	<u><b>183,442</b></u>	<u>141,246</u>
Dividends proposed	<u>-</u>	<u>-</u>
Earnings per share (basic)	<u><b>RMB0.085</b></u>	<u>(Restated) RMB0.066</u>

## **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These unaudited condensed consolidated statement of comprehensive income has been prepared in accordance with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, Accounting Principles Generally Accepted in Hong Kong, Hong Kong Financial Reporting Standards and the relevant disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The accounts are prepared under the historical cost convention.

The accounting policies adopted and methods of computation used in the preparation of these consolidated financial information are consistent with those used in the preparation of the financial statements for the year ended 31 December 2010.

These financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2010.

## **INTERPRETATION AND EXPLANATION**

### **1. Revenue**

For the three months ended 31 March 2011, the revenue of the Group amounted to approximately RMB693,024,000 (2010: RMB513,025,000), representing an increase of 35.1% over the same quarter last year.

Comparison of the sale of the principal products with that of the same period last year is set out as follows:

<b>Product category</b>	<b>For the three months ended 31 March</b>		
	<b>2011</b>	<b>2010</b>	<b>Growth</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>%</i></b>
Self-produced products			
– Infusion sets	<b>206,054</b>	153,171	34.5
– Syringes	<b>105,948</b>	91,365	16.0
– Needles	<b>123,076</b>	84,115	46.3
– Blood bags	<b>41,670</b>	35,298	18.1
– Blood sampling products	<b>11,329</b>	9,821	15.4
– Pre-filled syringes	<b>31,198</b>	18,277	70.7
– Other consumables	<b>39,606</b>	31,336	26.4
Subtotal for consumables	<b>558,881</b>	423,383	32.0
Orthopaedic products	<b>53,486</b>	34,685	54.2
Blood purification consumables	<b>41,379</b>	25,837	60.2
PVC granules	<b>15,458</b>	13,252	16.6
Trading of medical equipment products	<b>15,833</b>	8,053	96.6
Other products	<b>7,987</b>	7,815	2.2
Total	<b><u>693,024</u></b>	<b><u>513,025</u></b>	<b><u>35.1</u></b>

## **2. Gross profit**

During the Period, the Group continued the strategy of improving the product mix, focusing on the business development of blood purification products and increased the marketing and sales effort on high value-added products such as intravenous catheters, high-end infusion sets, and pre-filled syringes. The result was remarkable. Due to effective change in product mix, the Group further increased the gross profit margin to 54.0% from 50.7% in the same quarter last year. The change in product mix has been effective in transferring the pressure from the rising raw materials and labour costs. Benefiting from the aforesaid measures in adjusting the product mix, the percentage of turnover from high value-added products (products with gross profit margins of over 60%) of the Group to its total turnover was 44.9% (same quarter in 2010: 42.9%) during the Period.

## **3. Other income**

Other income decreased by 50.1% when compared with the same quarter last year. It is mainly due to the accounting for the deferred income from the joint venture with Medtronic being fully amortized by the end of 2010. There was no such income recorded for the Period whereas RMB8,850,000 was recorded for the same quarter last year.

## **4. Distribution costs**

Distribution costs increased by 35.5%, which was mainly attributable to the growth in revenue and the increase in transportation costs as a result of the surge in crude oil price.

## **5. Administrative expenses**

Administrative expenses increased by 17.8% lower than the growth rate in revenue. This was mainly attributable to cost control on administrative expenses not directly related to production. Among which, research and development expenditures amounted to RMB31,190,000 (same quarter in 2010: approximately RMB25,196,000), accounting for 4.5% (same quarter in 2010: 4.9%) of the revenue.

## **6. Share of profit of jointly controlled entities**

The stent business of Shandong JW Medical Products Co., Ltd. (“JW Medical”), a 50% jointly owned entity of the Company, has sustained its fast growth trend. The quantity sold for the Period increased by 34.5%. However, intensify market competition had lead to a higher pressure for price reduction. Meanwhile, the preferential tax policy of two years tax exemption followed by three years of 50% tax relief, which JW Medical was entitled to, expired on 31 December 2010. JW Medical is subject to income tax at a tax rate of 25% (same quarter in 2010: 12.5%) for the Period. JW Medical contributed approximately RMB34,709,000 to the profit of the Group for the Period, representing a decrease of 1% when compared with the same quarter last year.

## **7. Share of profit of a joint venture**

The Distribution Joint Venture with Medtronic, Inc. in orthopaedic products is running well. During the Period, the establishment of a technology supporting centre incurred additional expenses of approximately RMB3,060,000. The implementation of an incentive corporate growth sharing plan by the Distribution Joint Venture incurred additional approximately RMB970,000 over the same quarter last year. The Distribution Joint Venture contributed net income of RMB10,940,000 to the Group, representing an increase of 6% when compared with the same quarter last year. The revenue of Shandong Weigao Orthopaedic Device Company Limited, which is 100% held subsidiary of the Company was approximately RMB53,486,000 during the Period, representing an increase of 54.2% when compared with the same quarter last year.

## **8. Taxation**

Tax expenses increased by 60.3%, which was mainly attributable to the expiry of the taxation preferential policy of two years tax exemption followed by three years of 50% tax relief, which Shandong Weigao Orthopaedic Device Company Limited (“Weigao Ortho”) was entitled to, on 31 December 2010. It is subject to income tax at a tax rate of 15% for the Period (same quarter in 2010: 7.5%).

During the Period, the Company, Weihai Jierui Medical Products Company Limited (“Jierui Subsidiary”) and Weihai Weigao Blood Purification Product Company Limited (“Weigao Blood”) are subject to income tax at a tax rate of 15% (same quarter in 2010: 15%). Taxation for other PRC subsidiaries is calculated at a tax rate of 25% (same quarter in 2010: 25%).

No provision of Hong Kong taxation has been made for Weigao International Medical Co., Ltd, Wego Medical Investment Company Limited and Wego Medical Holding Company Limited as they did not have assessable profit in Hong Kong during the Period.

No provision of overseas taxation has been made for Weigao Medical (Europe) Co., Ltd and Weigao Medical Germany GmbH as they did not have assessable profit made during the Period.

## **9. Dividend**

There were no dividends declared for the three months ended 31 March 2011 (same quarter in 2010: nil).

## **10. Earnings per share**

For the three months ended 31 March 2011, basic earnings per share were calculated based on net profit attributable to equity holders of the Company of approximately RMB183,555,000 (same quarter in 2010: approximately RMB141,009,000), and on the weighted average total number of 2,152,562,000 shares.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the one-for-one bonus issue for the calculation and restatement of basic earnings per share of the current period and the corresponding period in 2010 respectively.

By Order of the Board

**Shandong Weigao Group Medical Polymer Company Limited**

**Chen Xue Li**

*Chairman*

Weihai, Shandong, the PRC

10 May 2011

*As at the date of this announcement, 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, Mrs. Zhou Shu Hua, Mr. Jean-Luc Butel and Mr. Li Bing Yung as the non-executive Directors, and Mr. Shi Huan, Mr. Luan Jian Ping, Mr. Lo Wai Hung and Mr. Li Jia Miao as the independent non-executive Directors.*