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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 THIRD QUARTER RESULTS  
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

This announcement is made voluntarily by the Company pursuant to Rule 13.09(1) of the Listing Rules. In view of transparency, the board of Directors would like to continue the practice of providing shareholders and investors with quarterly reports 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 and nine months ended 30 September 2011 (the "Period"), together with the unaudited comparative figures for the same periods in 2010 as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
 COMPREHENSIVE INCOME**

	Note	Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	1	2,326,119	1,793,429	820,334	655,795
Cost of sales		(1,061,736)	(807,229)	(363,880)	(269,237)
Gross profit		1,264,383	986,200	456,454	386,558
Other income		49,513	69,307	16,990	24,174
Distribution costs		(468,861)	(376,513)	(153,062)	(138,163)
Administrative expenses		(220,075)	(199,141)	(78,498)	(69,115)
Finance costs		(2,580)	(3,177)	(760)	(680)
Share of profit of two jointly controlled entities	6	88,882	110,546	24,688	35,655
Share of profit of an associate	7	41,520	33,215	16,287	10,428
Profit before taxation		752,782	620,437	282,099	248,857
Taxation	8	(82,738)	(60,485)	(31,611)	(25,124)
Profit for the period		<u>670,044</u>	<u>559,952</u>	<u>250,488</u>	<u>223,733</u>

\* For identification purpose only

		Unaudited		Unaudited	
		For the nine months ended		For the three months ended	
		30 September		30 September	
		2011	2010	2011	2010
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income					
Exchange differences arising on translation of foreign operations		<u>(872)</u>	<u>609</u>	<u>(300)</u>	<u>68</u>
Total comprehensive income for the period		<u><b>669,172</b></u>	<u>560,561</u>	<u><b>250,188</b></u>	<u>223,801</u>
Profit for the period attributable to:					
Equity holders of the Company	10	<u>666,912</u>	<u>559,976</u>	<u>249,431</u>	<u>224,451</u>
Minority interests		<u>3,132</u>	<u>(24)</u>	<u>1,057</u>	<u>(718)</u>
		<u><b>670,044</b></u>	<u>559,952</u>	<u><b>250,488</b></u>	<u>223,733</u>
Total comprehensive income attributable to:					
Equity holders of the Company		<u>666,040</u>	<u>560,585</u>	<u>249,131</u>	<u>224,519</u>
Minority interests		<u>3,132</u>	<u>(24)</u>	<u>1,057</u>	<u>(718)</u>
		<u><b>669,172</b></u>	<u>560,561</u>	<u><b>250,188</b></u>	<u>223,801</u>
Dividends proposed		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings per share (basic)	11	<u><b>RMB0.151</b></u>	<u>RMB0.130</u>	<u><b>RMB0.056</b></u>	<u>RMB0.052</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”) No. 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 applicable 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 and nine months ended 30 September 2011, the revenue of the Group amounted to approximately RMB820,334,000 and RMB2,326,119,000, representing an increase of approximately 25.1% and 29.7% over approximately RMB655,795,000 and RMB1,793,429,000 for the same period last year respectively. During the Period, the increase in the Group’s revenue was less than expected. It was mainly due to i) certain provinces and cities limited the usage of high-ended infusion sets; ii) reduce in demand orders of pre-filled syringes from customers whose production facilities were subject to GMP inspection and certification; and iii) the restructuring of the distribution channels for needles and hemodialysis machines by the Group resulted in a temporarily drop in sale volume. The Directors believe that most of the above factors have temporarily effect. The restructuring of the distribution channels will strengthen the management of the channels. During the Period, the Company invested approximately RMB100 million for purchasing the second dialyser production line with a capacity of 4 million pieces so as to meet the market demand. It is expected that the commercial production is expected to commence in the first quarter of 2012. As at the date of the announcement, the Company had commenced trial run of one hemodialysis centre. The Group is the process of establishing two more hemodialysis centers.

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

Product category	For the nine months ended 30 September			For the three months ended 30 September		
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>	Growth %	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>	Growth %
Self-produced product consumables						
– Infusion sets	687,823	525,041	31.0%	240,171	189,582	26.7%
– Needles	407,594	295,189	38.1%	138,194	106,003	30.4%
– Syringes	346,780	295,606	17.3%	128,912	108,878	18.4%
– Blood bags	130,894	115,077	13.7%	43,327	40,925	5.9%
– Pre-filled syringes	104,899	76,881	36.4%	32,322	27,892	15.9%
– Blood sampling products	43,443	34,612	25.5%	16,439	13,754	19.5%
– Other consumables	142,573	115,424	23.5%	56,544	46,907	20.5%
<b>Subtotal for consumables</b>	<b>1,864,006</b>	1,457,830	27.9%	<b>655,909</b>	533,941	22.8%
Orthopaedic products	175,362	123,338	42.2%	64,070	46,095	39.0%
Blood purification consumables	133,407	90,911	46.7%	51,424	35,313	45.6%
PVC granules	47,525	39,766	19.5%	12,693	12,486	1.7%
Trading of medical equipment products	75,715	55,819	35.6%	26,622	25,333	5.1%
Other products	30,104	25,765	16.8%	9,616	2,627	266.0%
<b>Total</b>	<b>2,326,119</b>	1,793,429	29.7%	<b>820,334</b>	655,795	25.1%

## **2. Gross profit**

During the Period, the substantial increase in the material costs and labour costs led to a continuous pressure on profit for the products, and resulted in a lower growth rate of the gross profit margin than the growth in revenue. The Group will continue the strategy of improving the product mix, increase the marketing and sales on the high value-added products, increase the sale price of the conventional consumables to mitigate the pressure from the rising raw materials and labour costs. The gross profit margin during the Period was 54.4% (same period in 2010: 55.0%). 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 approximately 44.1% (same period in 2010: 43.6%) during the Period.

## **3. Other income**

During the Period, other income decreased by 28.6% when compared with the same period last year. It was mainly due to the accounting for the deferred income from the joint venture with Medtronic being fully amortized by the end of 2010. No such income was recorded for the Group for the nine months ended 30 September 2011 whereas approximately RMB26,565,000 was recorded for the same period last year.

## **4. Distribution costs**

During the Period, distribution costs increased by 24.5%, which was mainly attributable to the growth in revenue.

## **5. Administrative expenses**

During the Period, administrative expenses increased by 10.5% which was lower than the growth rate in revenue. This was mainly attributable to the cost control by the Company on administrative expenses that was not directly related to production. During the Period, research and development expenditures which amounted to approximately RMB91,015,000 (same period in 2010: approximately RMB83,381,000), accounted for 3.9% (same period in 2010: 4.6%) of the revenue.

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

JW Medical Systems Ltd. (“JWMS”), a 50% jointly owned entity of the Company, has sustained the volume growth of stent sold. However, intensifying market competition had led to a reduction in selling price. Meanwhile, the preferential tax policy of two years tax exemption followed by three years of 50% tax relief, which JWMS was entitled to, expired on 31 December 2010. JWMS is subject to income tax at an applicable tax rate of 25% (same period in 2010: 12.5%) for the Period. JWMS contributed RMB25,795,000 and RMB92,988,000 to the profit of the Group for the three months and nine months ended 30 September 2011, representing a decrease of 27.7% and 15.9% respectively when compared with the same periods last year. JWMS is in the process of obtaining a high-tech enterprise certification.

On 11 June 2011, the Company and Biosensors International Group Inc. (“Biosensors”) entered into a sales and purchase agreement (“SPA”) pursuant to which the Company disposed its entire 50% equity interest in JWMS to Biosensors at a consideration of S\$625.4 million by way of cash, by issue of Biosensors new shares and by issue of convertible notes to convert into Biosensors shares. The completion of the SPA took place on 3 October 2011 and JWMS becomes the wholly owned subsidiary of Biosensors.

Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd., which is 51% held by the Group, was at its trial production stage and was in the process of applying product registration certificate. It is expected to commence operation in the first quarter of 2012. For the nine months ended 30 September 2011, loss attributable to the Group was approximately RMB4,106,000.

## **7. Share of profit of an associate**

The Distribution Joint Venture with Medtronic, Inc. in orthopaedic products is running well. The Distribution Joint Venture contributed net income of approximately RMB16,288,000 and RMB41,520,000 to the Group for the three months and nine months ended 30 September 2011, representing an increase of 56.2% and 25.0% respectively when compared with the same period last year. The increase in net income during the quarter was partly due to the increase in government grant. The turnover of Shandong Weigao Orthopaedic Device Company Limited, which is 100% held subsidiary of the Company, was approximately RMB64,070,000 and RMB175,362,000 for the three months and nine months ended 30 September 2011, representing an increase of 39.0% and 42.2% respectively when compared with the same period last year.

## **8. Taxation**

During the Period, tax expenses increased by 36.8%, 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. Weigao Ortho is subject to income tax at a tax rate of 15% for the Period (same period 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 period in 2010: 15%). Taxation for other PRC subsidiaries is calculated at a tax rate of 25% (same period in 2010: 25%).

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

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 during the Period.

## 9. Dividend

There were no dividends declared for the three months ended 30 September 2011 (same period in 2010: nil).

## 10. Profit attributable to equity holders of the Company

For the three months and nine months ended 30 September 2011, net profit attributable to shareholders of the Group was approximately RMB249,431,000 and RMB666,912,000 respectively (same period in 2010: approximately RMB224,451,000 and RMB559,976,000), representing an increase of 11.1% and 19.1% respectively over the same period last year.

## 11. Earnings per share

For the three months and nine months ended 30 September 2011, basic earnings per share were calculated based on net profit attributable to shareholders of approximately RMB249,431,000 and RMB666,912,000 (same period in 2010: approximately RMB224,451,000 and RMB559,976,000), and on the weighted average total number of 4,476,372,000 shares and 4,402,980,000 shares (same period in 2010: 4,305,124,000 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.

On behalf of the Board

**Shandong Weigao Group Medical Polymer Company Limited**

**Chen Xue Li**

*Chairman*

Weihai, Shandong, the PRC

15 November 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 Mrs. Fu Ming Zhong, Mr. Luan Jian Ping, Mr. Lo Wai Hung and Mr. Li Jia Miao as the independent non-executive Directors.*