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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

SUMMARY

For the year ended 31 December 2013 (the "Year"), the turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company" and together with its subsidiaries, the "Group") was approximately RMB4,613,310,000 (2012: RMB3,689,115,000), representing an increase of 25.1% over the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items which include the effects on disposal of operation of Biosensors International Group, Ltd ("BIG") and exchange differences) was approximately RMB936,941,000 (2012: net profit attributable to the owners of the Company (excluding the effect of operation of BIG and exchange differences, of approximately RMB852,172,000), representing an increase of approximately 9.9% over the previous year.

During the Year, the business growth of the Group was in line with our expectation. The new sales organisation for single use consumables has been established following the restructuring. The Group's gross profit margin increased to 59.1% from 57.3% in the previous year was mainly due to the resumption of the independent sales operation by Weigao's orthopaedic business. The disposal of all of its equity interest in BIG by the Group had an one-off impact on its net profit.

* *For identification purpose only*

During the Year, the performance of the Group in four business segments was as follows:

(1) the turnover for medical consumables of the Group reached RMB3,546,077,000 for the year ended 31 December 2013, representing an increase of 15.7% when compared with the previous year;

(2) the turnover of orthopaedic business for the Year was approximately RMB505,947,000, representing an increase of 126.9% when compared with the previous year and representing a growth of 34% compared with the sales of Weigao branded orthopaedic products by the Distribution Joint Venture in 2012;

(3) the turnover of haemodialysis consumables and equipment for the Year was approximately RMB561,286,000, representing an increase of 39.5% when compared with the previous year. Profit from Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd. ("Weigao Nikkiso"), which is 51% held by the Group, attributable to the Group amounted to approximately RMB6,822,000 (2012: attributable loss of RMB4,401,000); and

(4) The Group disposed all of its equity interest in BIG for a consideration of US$312,283,973 on 21 November 2013, from which an accounting loss of approximately RMB497,421,000 was recorded. The loss represented the net effect of profit attributable from BIG before the disposal amounting to approximately RMB67,811,000 and loss on disposal of BIG amounting to approximately RMB565,232,000. The equity investment in BIG was from the sale of the Group's 50% interest in Shandong JW Medical Products Co., Ltd. to BIG in exchange for equity interest in BIG in 2011. At the time, an accounting gain of approximately RMB2,568,534,000 was recorded for the financial year ended 31 December 2011.

The Directors recommended the payment of a final dividend of RMB0.031 per share (2012: RMB0.033), which is subject to the approval by the shareholders of the Company ("Shareholders") at the forthcoming general meeting.

FULL YEAR RESULTS

The board of Directors (the "Board") is pleased to announce the audited results of the Group for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

		2013	2012
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*	**4,613,310**	3,689,115
Cost of sales		**(1,886,444)**	(1,576,695)
Gross profit		**2,726,866**	2,112,420
Other income, gains and losses	*6*	**10,484**	107,749
Distribution costs		**(1,161,236)**	(874,317)
Administrative expenses		**(313,995)**	(212,893)
Research and development expenses		**(208,921)**	(170,587)
Finance costs	*4*	**(8,957)**	(4,678)
Share of profit (loss) of joint ventures		**2,820**	(4,401)
Share of profit of associates		**62,325**	172,882
Loss on disposal of an associate		**(565,232)**	–
Profit before taxation		**544,154**	1,126,175
Income tax expense	*5*	**(156,475)**	(129,805)
Profit for the year		**387,679**	996,370

	NOTES	2013 RMB'000	2012 RMB'000
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations			
– subsidiaries		**(1,105)**	(626)
– an associate		**(47,824)**	(4,847)
Reclassification to loss on disposal of an associate		**67,832**	–
Total comprehensive income for the year		**406,582**	990,897
Profit for the year attributable to:			
Equity holders of the Company		**387,984**	996,486
Non-controlling interests		**(305)**	(116)
		387,679	996,370
Total comprehensive income attributable to:			
Equity holders of the Company		**406,887**	991,013
Non-controlling interests		**(305)**	(116)
		406,582	990,897
Earnings per share (basic)	*8*	**RMB0.09**	RMB0.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 31 December 2013** *RMB'000*	As at 31 December 2012 *RMB'000*
Non-current assets			
Property, plant and equipment		**3,948,375**	3,198,249
Investment properties		**10,109**	10,597
Deposits paid for acquiring property, plant and equipment		**83,323**	59,407
Prepaid lease payments		**514,693**	461,520
Intangible assets		**16,705**	19,820
Interest in joint ventures		**107,277**	104,457
Interest in associates		**128,458**	2,525,106
Goodwill		**202,900**	202,900
Deferred income tax assets		**22,834**	24,402
Other receivables – receivable after one year		**–**	1,684
		5,034,674	6,608,142
Current assets			
Inventories	*9*	**866,356**	830,274
Trade and other receivables	*10*	**2,227,947**	1,651,028
Available-for-sale investments		**40,000**	–
Pledged bank deposits		**143,496**	91,546
Bank balances and cash		**2,975,623**	1,297,856
		6,253,422	3,870,704
Current liabilities			
Trade and other payables	*12*	**1,747,783**	1,472,504
Bank borrowings – repayable within one year		**300,200**	–
Tax payable		**34,319**	57,253
		2,082,302	1,529,757

	NOTES	As at 31 December 2013 RMB'000	As at 31 December 2012 RMB'000
Net current assets		**4,171,120**	2,340,947
		9,205,794	8,949,089
Capital and reserves			
Share capital	*13*	**447,637**	447,637
Reserves		**8,592,708**	8,463,356
Equity attributable to holders of the Company		**9,040,345**	8,910,993
Non-controlling interests		**22,587**	9,422
Total equity		**9,062,932**	8,920,415
Non-current liabilities			
Bank borrowings – repayable after one year		**99,700**	–
Deferred income		**43,162**	28,674
		142,862	28,674
		9,205,794	8,949,089

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital *RMB'000*	Share premium reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(Note)*	Translation reserve *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non–controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2012	447,637	2,478,544	240,962	(16,928)	2,661	5,049,115	8,201,991	9,538	8,211,529
Profit for the year	–	–	–	–	–	996,486	996,486	(116)	996,370
Exchange differences arising on translation of foreign operations									
– subsidiaries	–	–	–	(626)	–	–	(626)	–	(626)
– associates	–	–	–	(4,847)	–	–	(4,847)	–	(4,847)
Total comprehensive income for the year	–	–	–	(5,473)	–	996,486	991,013	(116)	990,897
Transfer to statutory reserve	–	–	14,696	–	–	(14,696)	–	–	–
Dividend paid	–	–	–	–	–	(282,011)	(282,011)	–	(282,011)
At 31 December 2012	447,637	2,478,544	255,658	(22,401)	2,661	5,748,894	8,910,993	9,422	8,920,415
Profit for the year	–	–	–	–	–	387,984	387,984	(305)	387,679
Exchange differences arising on translation of foreign operations									
– subsidiaries	–	–	–	(1,105)	–	–	(1,105)	–	(1,105)
–associates	–	–	–	(47,824)	–	–	(47,824)	–	(47,824)
Reclassification to loss on disposal of an associate	–	–	–	69,054	(1,222)	–	67,832	–	67,832
Total comprehensive income for the year	–	–	–	20,125	(1,222)	387,984	406,887	(305)	406,582
Minority shareholders capital injection	–	–	–	–	–	–	–	13,470	13,470
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–
Dividend paid	–	–	–	–	–	(277,535)	(277,535)	–	(277,535)
At 31 December 2013	447,637	2,478,544	255,658	(2,276)	1,439	5,859,343	9,040,345	22,587	9,062,932

Note: The Articles of Association of those companies comprising the Company and its subsidiaries incorporated in the PRC require the appropriation of 10% of profit after taxation (prepared under the generally accepted accounting principles in the PRC) each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provisions of the Articles of Association of the companies comprising the Group, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of its production and operation. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

Shandong Weigao Group Medical Polymer Company Limited (the "Company") was established and registered as a joint stock company with limited liability in the People's Republic of China (the "PRC") under the Company Law of the PRC on 28 December 2000. Its immediate and ultimate holding company is Weigao Holding Company Limited ("Weigao Holding"), a company registered in the PRC with limited liability. The address of the registered office is 312 Shi Chang Road, Weihai, Shandong Province, the PRC. The Company has relocated its principal place of business to 18 Xing Shan Road, Weihai, Shandong Province, PRC since May in 2013.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which have been effective.

Amendments to HKFRSs	*Annual Improvements to HKFRSs 2009-2011 Cycle*
Amendments to HKFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 13	*Fair Value Measurement*
HKAS 19 (as revised in 2011)	*Employee Benefits*
HKAS 27 (as revised in 2011)	*Separate Financial Statements*
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*
Amendments to HKAS 1	*Presentation of Items of Other Comprehensive Income*
HK (IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*

Except for amendments to HKAS36, the Group has not early applied the following new and revised standards, amendments and interpretation ("new and revised HKFRSs") that have been issued but are not yet effective.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[1]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[2]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[3]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
Amendments to HKFRS	*Annual Improvements to HKFRSs 2010-2012 Cycle*[4]
Amendments to HKFRS	*Annual Improvements to HKFRSs 2011-2013 Cycle*[2]
HKFRS 9	*Financial Instruments*[3]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HK(IFRIC)-Int 21	*Levies*[1]

1 *Effective for annual periods beginning on or after 1 January 2014*

2 *Effective for annual periods beginning on or after 1 July 2014*

3 *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised*

4 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions*

5 *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016*

3. SEGMENT INFORMATION

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

For management purposes, the Group is currently organised into three operating divisions – single use medical device products, orthopaedic products, blood purification products. These divisions are the basis of the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Managing Director) in order to allocate resources to segments and to assess their performance.

Principal activities of the Group's operating segments are as follows:

Single use medical device products	–	production and sale of single use consumables such as infusion sets, syringes, blood transfusion sets and blood bags.
Orthopaedic products	–	production and sale of orthopaedic products.
Blood purification products	–	production and sale of blood purification products and related medical equipment.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

2013

	Single use medical device products *RMB'000*	**Orthopaedic products** *RMB'000*	**Blood purification products** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Revenue					
External sales	3,546,077	505,947	561,286	–	4,613,310
Inter-segment sales	3,373	–	864	(4,237)	–
Total	3,549,450	505,947	562,150	(4,237)	4,613,310
Segment profit	765,201	257,264	14,863	–	1,037,328
Unallocated expenses					(372)
Unallocated other income, gain and losses					762
Bank interest income					5,947
Interest on available-for-sale investments					576
Share of profit of joint ventures					2,820
Share of profit of associates					62,325
Loss on disposal of an associate					(565,232)
Profit before tax					544,154

Inter-segments sales are charged at prevailing market rates.

2012

	Single use medical device products *RMB'000*	Orthopaedic products *RMB'000*	Blood purification products *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Revenue					
External sales	3,063,636	223,015	402,464	–	3,689,115
Inter-segment sales	9,817	–	535	(10,352)	–
Total	3,073,453	223,015	402,999	(10,352)	3,689,115
Segment profit	783,964	93,380	25,525	–	902,869
Unallocated expenses					(144)
Unallocated other income, gain and losses					54,969
Share of profit of joint ventures					(4,401)
Share of profit of associates					172,882
Profit before tax					1,126,175

Inter-segments sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of expenses, other income, gains and losses of the corporate function, share of profit (loss) of jointly ventures, share of profit of associates and gain/loss on disposal of associate. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

2013

	Single use medical device products *RMB'000*	**Orthopaedic products** *RMB'000*	**Blood purification products** *RMB'000*	**Consolidated** *RMB'000*
Assets				
Segment assets	**5,673,857**	**724,994**	**1,461,448**	**7,860,299**
Interest in an associate				**128,458**
Interest in joint ventures				**107,277**
Available-for-sale investments				**40,000**
Investment properties				**10,109**
Deferred tax assets				**22,834**
Pledged bank deposits				**143,496**
Bank balances and cash				**2,975,623**
Consolidated assets				**11,288,096**
Liabilities				
Segment liabilities	**1,510,442**	**156,589**	**536,133**	**2,203,164**
Other payables relating to the acquisition of additional interest in a subsidiary				**22,000**
Consolidated liabilities				**2,225,164**

2012

	Single use medical device products	Orthopaedic products	Blood purification products	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Segment assets	4,731,084	641,785	1,052,013	6,424,882
Interest in an associate				2,525,106
Interest in joint ventures				104,457
Investment properties				10,597
Deferred tax assets				24,402
Pledged bank deposits				91,546
Bank balances and cash				1,297,856
Consolidated assets				10,478,846
Liabilities				
Segment liabilities	1,202,732	189,791	143,908	1,536,431
Other payables relating to the acquisition of additional interest in a subsidiary				22,000
Consolidated liabilities				1,558,431

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than investment properties, pledged bank deposits, bank balances and cash, deferred tax assets, interest in joint ventures and interest in associates; and
- all liabilities are allocated to operating segments other than other payables relating to the acquisition of additional interest in a subsidiary.

Other segment information

2013

	Single use medical device products *RMB'000*	**Orthopaedic products** *RMB'000*	**Blood purification products** *RMB'000*	**Total** *RMB'000*
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	**587,900**	**45,595**	**314,539**	**948,034**
Allowance for bad and doubtful debts	**16,002**	**261**	**5,948**	**22,211**
Release of prepaid lease payment	**8,869**	**193**	**1,986**	**11,048**
Amortisation of intangible assets	**1**	**3,114**	**–**	**3,115**
Depreciation of property, plant and equipment	**114,858**	**23,118**	**46,498**	**184,474**
Gain on disposal of property, plant and equipment	**(266)**	**(5)**	**(1,157)**	**(1,428)**
Research and development expenditure	**151,955**	**38,731**	**18,235**	**208,921**
Government grant	**(1,541)**	**(3,480)**	**(2,676)**	**(7,697)**
Rebate of value added tax	**(38,371)**	**–**	**–**	**(38,371)**

2012

	Single use medical device products *RMB'000*	Orthopaedic products *RMB'000*	Blood purification products *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	586,338	49,253	229,243	864,834
Allowance for bad and doubtful debts	1,415	(1,804)	5,957	5,568
Release of prepaid lease payment	7,944	193	1,854	9,991
Amortisation of intangible assets	1	3,114	–	3,115
Depreciation of property, plant and equipment	88,821	20,942	15,320	125,083
(Gain) loss on disposal of property, plant and equipment	(157)	116	28	(13)
Research and development expenditure	128,764	29,605	12,218	170,587
Government grant	(3,611)	(5,983)	(2,464)	(12,058)
Rebate of value added tax	(42,333)	–	–	(42,333)

Revenue from major products

	2013	2012
	RMB'000	*RMB'000*
Sale of single use medical products		
– Infusion sets	**1,254,165**	1,129,038
– Syringes	**595,022**	530,805
– Pre-filled syringes	**209,575**	158,586
– Needles	**722,304**	612,085
– Blood bags and sampling products	**318,306**	272,989
– PVC granules	**74,421**	67,455
– Other products	**372,284**	292,678
Sale of orthopaedic products	**505,947**	223,015
Sale of blood purification products	**561,286**	402,464
	4,613,310	3,689,115

Information about major customers

There is no single customer contributing over 10% of total sales of the Group for both years.

Geographical segment

The Group's operations, assets and most of the customers are located in the PRC. Accordingly, no geographical analysis of non-current assets and customer is presented.

4. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Imputed interest expenses on other payable	**–**	555
Interest on bank borrowings wholly repayable within five years	**16,275**	4,476
Less: Amount capitalised in construction in progress	**(7,318)**	(353)
	8,957	4,678

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6% (2012: 2.67%) per annum to expenditure on qualifying assets.

5. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
PRC Enterprise Income Tax	**154,907**	138,450
Deferred taxation	**1,568**	(8,645)
	156,475	129,805

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25%.

The Company, Jierui, Shandong Weigao Orthopaedic Device Company Limited ("Weigao Ortho") and Weihai Weigao Blood Purification Products Company Limited ("Weigao Blood") were recognised as Shandong Province New and High Technical Enterprises (山東省高新技術企業) from the year 2011 to 2013. In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprise was subject to income tax at a tax rate of 15%. The directors of the Company expect that the Company, Jierui, Weigao Ortho and Weigao Blood can satisfy all current criteria and so will highly probable be recognised as Shandong Province New and High Technical Enterprises in 2014.

Jierui was recognised as a "Social Welfare Entity" and pursuant to Cai Shui (2007) No. 92 issued by the State Council, with effect from 1 July 2007, Jierui is subject to a statutory tax rate but an amount equivalent to the total salaries paid to staff with physical disability is further deducted from the taxable income of Jierui and the rebate of value added tax is exempted from the PRC income tax. Jierui is subject to income tax at a tax rate of 15%. The tax charge provided for the years ended 31 December 2013 and 2012 were made after taking these tax incentives into account.

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

No provision of overseas taxation has been made for Weigao Medical (Europe) Co., Ltd, Wellford Capital Limited and Weigao Medical Germany GmbH as they did not have assessable profit made for both years.

The charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2013	2012
	RMB'000	*RMB'000*
Profit before taxation	**544,154**	1,126,175
Taxation at the domestic income tax rate of 15% (2012: 15%)	**81,623**	168,926
Tax effect of share of (profit) loss of jointly controlled entities	**(423)**	660
Tax effect of share of profit of associates	**(9,349)**	(25,932)
Tax effect of income not taxable for tax purpose	**(5,756)**	(10,861)
Additional tax benefit in research and development cost *(note)*	**(14,554)**	(11,703)
Additional tax benefit to a social welfare entity	**(4,675)**	(4,407)
Utilisation of estimated tax losses previously not recognised	**(43)**	(38)
Utilisation of deductible temporary difference previously not recognised	**(875)**	(59)
Tax effect of tax losses not recognised	**5,879**	1,316
Tax effect of expenses not deductible for tax purpose	**11,952**	11,527
Tax effect of loss on disposal of an associate not deductible for tax purpose	**84,785**	–
Effect of differential tax rates on the Group	**7,911**	376
Taxation	**156,475**	129,805

Note: Additional tax allowance was granted by the PRC tax authority in respect of the research and development cost of RMB97,027,000 (2012: RMB78,020,000) incurred in new products.

6. OTHER INCOME, GAINS AND LOSSES

	2013	2012
	RMB'000	*RMB'000*
Rebate of value added tax *(note a)*	**38,371**	42,333
Government grant *(notes b and c)*	**7,697**	12,058
Bank interest income	**5,947**	20,488
Rental income	**1,753**	2,573
Exchange (loss) gain	**(46,050)**	29,719
Interest on available-for-sale investments	**576**	–
Gain on disposal of property, plant and equipment	**1,428**	13
Others	**762**	565
	10,484	107,749

Note:

(a) As Jierui was recognised as a "Social Welfare Entity", the Tax Bureau in Weihai granted a rebate of the value added tax paid by Jierui with effect from 1 May 1999 on the basis of "payment first then rebate". Pursuant to Cai Shui (2007) No. 92 issued by the State Council, with effect from 1 July 2007, Jierui was granted a rebate of value added tax determined with reference to the number of staff with physical disability. For each staff with physical disability, six times of the minimum salary approved by the local government in Weihai is granted to Jierui as rebate of value added tax but subject to an annual maximum limit of RMB35,000 per staff with physical disability.

(b) During the year, a government grant of RMB4,585,000 (2012: RMB4,584,000) was awarded to the Group mainly for specific research and development projects completed during the year ended 31 December 2013 and are recognised as income when the government grants were received.

1) Pursuant to the document regarding the Outline on Science and Technology Development of Weihai for 2012 (《2012年威海科學技術發展規劃綱要》) (Lu Ke Gui Zi [2012] No. 101) jointly issued by the Science and Technology Department and the Finance Department of Shandong Province, the Company was awarded the government grants of RMB3,000,000 on its titanium locking plate project. The government grants had been received during the year ended 31 December 2013 and had been recognised an income when received.

2) The Group was awarded other government subsidies of RMB1,585,000 (2012: RMB2,714,000) by Bureau of Finance of Weihai High-tech Development District. The government grants had been received during the year ended 31 December 2013 and had been recognised an income when received.

(c) During the year ended 31 December 2013, the release of government grants related to assets amounting to RMB3,112,000 (2012: RMB7,474,000) is recognised as other income.

7. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2013 Interim – RMB0.029 (2012: interim dividend – RMB0.033) per share	**129,815**	147,720
2012 Final – RMB0.033 (2012: 2011 final dividend – RMB0.03) per share	**147,720**	134,291
	277,535	282,011

The final dividend of RMB0.031 per share in respect of the year ended 31 December 2013 (2012: RMB0.033) amounting to RMB138,768,000 (2012: RMB147,720,000) has been proposed by the directors. The proposal is subject to approval by the shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the each of reporting period is based on the following data:

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**387,984**	996,486

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**4,476,372**	4,476,372

No diluted earnings per share are presented because no potential ordinary shares were outstanding in the current year or in the prior year.

9. INVENTORIES

	2013 *RMB'000*	2012 *RMB'000*
Raw materials	**151,275**	149,607
Finished goods	**715,081**	680,667
	866,356	830,274

10. TRADE AND OTHER RECEIVABLES

	2013 *RMB'000*	2012 *RMB'000*
Trade receivables	**1,842,193**	1,369,629
Less: Allowance for bad and doubtful debts	**(93,907)**	(84,835)
	1,748,286	1,284,794
Bills receivable	**327,485**	204,482
Other receivables	**44,905**	33,905
Prepayments	**94,038**	110,076
Other receivables – receivable within one year	**1,750**	7,500
Prepaid lease payments	**11,483**	10,271
	2,227,947	1,651,028

All of bills receivable will be matured within a period of 0-180 days.

Included in trade receivables is an amount due from an associate of RMB4,132,000 (2012: RMB16,714,000). The amount is unsecured, interest-free and repayable on demand.

The Group allows an average credit period of 90 – 180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date, which near to goods delivery date, at the end of the reporting period.

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**942,730**	749,000
91 to 180 days	**451,881**	311,442
181 to 365 days	**277,395**	189,267
Over 365 days	**76,280**	35,085
Trade receivables	**1,748,286**	1,284,794

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB353,675,000 (2012: RMB224,352,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2013	2012
	RMB'000	*RMB'000*
181 to 365 days	**277,395**	189,267
Over 365 days	**76,280**	35,085
	353,675	224,352

The Group has provided fully for all receivables over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable.

Movement in the allowance for bad and doubtful debts:

	2013	2012
	RMB'000	*RMB'000*
Balance at beginning of year	**84,835**	90,636
Impairment losses recognised on receivables	**21,977**	5,568
Amounts written off as uncollectible	**(12,905)**	(11,369)
Balance at end of year	**93,907**	84,835

Bills receivables of approximately RMB228,096,000 (2012: RMB182,730,000) was endorsed with recourse to third parties at 31 December 2013 and corresponding trade payables of RMB228,096,000 (2012: RMB182,730,000) were included in the consolidated statement of financial position accordingly.

Other receivables are unsecured, non-interest bearing and have no fixed term of repayment. In the opinion of the directors of the Company, the amounts are expected to be recovered in the next twelve months. The aging analysis of other receivables net of allowance for bad and doubtful debts is stated as follows:

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**19,188**	19,646
91 to 180 days	**3,917**	3,209
181 to 365 days	**12,342**	4,676
Over 365 days	**9,458**	6,374
	44,905	33,905

Movement in the allowance for bad and doubtful debts:

	2013	2012
	RMB'000	*RMB'000*
Balance at beginning of year	**1,617**	1,617
Impairment losses recognised on receivables	**296**	–
Amounts written off as uncollectible	**(62)**	–
Balance at end of year	**1,851**	1,617

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default and with good credit quality.

11. TRANSFERS OF FINANCIAL ASSETS

As at 31 December 2013, bills receivable with carrying amount of RMB228,096,000 (2012: RMB182,730,000) were endorsed by the Group to suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the associated liabilities amounted to RMB228,096,000 (2012: RMB182,730,000), being trade payables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

12. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**612,063**	619,810
91 to 180 days	**89,370**	52,884
181 to 365 days	**38,662**	8,904
Over 365 days	**11,320**	8,251
Trade payables	**751,415**	689,849
Bills payables	**238,840**	231,898
Advances from customers	**64,030**	64,268
Other tax payables	**69,364**	55,683
Consideration payable for the acquisition of additional interest in a subsidiary	**22,000**	22,000
Construction costs and retention payable	**102,138**	86,368
Other payables	**499,996**	322,438
	1,747,783	1,472,504

The normal credit period taken for trade purchases is 90-120 days. All of bills payable will mature within six months.

Included in trade payables are an amount due to fellow subsidiaries of RMB8,141,000 (2012: RMB15,764,000), an amount due to a jointly controlled entity of RMB10,748,000 (2012: RMB12,440,000) and an amount due to an associate of RMB67,035,000 (2012: RMB114,102,000). The amount is unsecured, interest-free and repayable on demand.

As at 31 December 2013, an amount due to the ultimate holding company of RMB11,691,000 (2012: RMB4,819,000) was included in other payables as current liabilities. The amount was unsecured, interest-free and repayable on demand. The amount was settled during the year.

13. SHARE CAPITAL

	Nominal value of each share	Number of Non-listed shares	Number of H shares	Total number of shares	Value
	RMB	*(Note)*	*(Note)*		*RMB'000*
At 1 January 2012, 31 December 2012 and 31 December 2013	0.1	2,592,640,000	1,883,732,324	4,476,372,324	447,637

Note:

Non-listed Shares and H Shares are all ordinary shares in the share capital of the Company. However, H Shares may only be subscribed for by, and traded in currencies other than RMB between, legal or natural persons of Hong Kong, the Macau Special Administrative Region, Taiwan or any country other than the PRC. Non-listed Shares must be subscribed for and traded in RMB. All dividends in respect of H Shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of Non-listed Shares are to be paid by the Company in RMB. The Non-listed Shares and the H Shares rank pari passu with each other in all other respects and in particular, rank equally for all dividends or distributions declared, paid or made.

MANAGEMENT DISCUSSION AND ANALYSIS

International collaboration

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

On 21 November 2013, the Company and CB Medical Holdings Limited reached an agreement to dispose of all of its 21.7% equity interest in Bionsensors International Group, Ltd ("BIG"), a listed company in Singapore at a consideration of US$312,283,973. The consideration represented a premium of 11.7% over the closing price on 21 November 2013. After the disposal, Weigao ceased to hold any interest in BIG. This transaction recorded an one-off accounting book loss of about RMB497,421,000.

During the Year, Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd, ("Weigao Nikkiso") a joint venture company established with Nikkiso Co., Ltd., commenced the production of dialysis machine, and is distributed in the PRC market by Weigao Blood Purification Co. Ltd. ("Weigao BP"), a 70% owned subsidiary of the Company. The collaboration leverages on the complementary strengths of the two partners. It has further strengthened the Group's competitive advantage position and also lays a solid foundation for the business expansion of the Group in the blood purification market in China. Profit from Weigao Nikkiso attributable to the Group for the twelve months ended 31 December 2013 amounted to approximately RMB6,822,000 (2012: attributable loss of approximately RMB4,401,000).

In 2012, the Group established a joint venture company named Weigao Terumo (Weihai) Medical Products Co., Ltd ("Weigao Terumo") engaging in peritoneal dialysis business with Terumo Corporation and Terumo (China) Holding Co. Ltd. Weigao Terumo plans to engage in the production and sales of peritoneal dialysis related devices in the PRC. Weigao BP holds 50% equity interests in Weigao Terumo. The preliminary work for production and sale in 2013 was underway smoothly. Loss from Weigao Terumo attributable to the Group for the twelve months ended 31 December 2013 amounted to approximately RMB4,002,000 (2012: Nil).

Optimization adjustments to product mix

The Group strived to adjust its product mix. During the Year, Shandong Weigao Orthopaedic Device Company Limited ("Weigao Orthopaedic") resumed the sales operation following the dissolution of the Distribution Joint Venture. The proportion of sales from products with high gross profit had further increased and the gross profit margin for the year improved to 59.1% from 57.3% last year.

1. Consumables: the Group recorded a turnover of approximately RMB3,546,077,000, representing an increase of 15.7% when compared with the previous year.

   For the year ended 31 December 2013, turnover for needle products was approximately RMB722,304,000, representing an increase of 18.0% when compared with the previous year. During the Year, the Group continued the strategy adopted in 2012 in having dedicated professional team in selling needle products and to enhance the competitive position of the Group in the direct sale channels to secure a larger market share. The Directors believe that needle products will become one of the important areas for the future development of the Company.

   During the Year, the market development of the Group's specialized infusion sets with dosage control device and the infusion sets made of proprietary non-PVC based material maintained a growth momentum. Turnover of infusion sets of the Group amounted to RMB1,254,165,000, representing an increase of 11.1% over last year. The Directors believe that specialized infusion sets with dosage control device and non-PVC based infusion sets have enormous development potential in the PRC. The Group will continue to consolidate its core competitiveness in this sector.

During the Year, the glass tube production line for pre-filled syringes was operating smoothly. The Group has established a favourable position in the market. Turnover of pre-filled syringes for the Year amounted to approximately RMB209,575,000, representing an increase of 32.2% when compared with last year. The Company invested approximately RMB60,000,000 to purchase a new production line for pre-filled syringes with an additional capacity of 36,000,000 pieces and production had commenced in the third quarter of 2013.

2. The blood purification business of Weigao BP achieved rapid growth. During the Year, Weigao BP recorded a turnover of approximately RMB561,286,000, representing an increase of 39.5% when compared with last year. The second dialyser production line purchased by the Group with an investment amount of approximately RMB100 million was put into operation and expanded its production capacity. The third and the fourth production lines are expected to put into operation in the second half of 2014 to further expand its production capacity to meet market demand. The Directors expect that the blood purification business will be an important direction and segment for future development of the Group.

   After obtaining the government approval in 2012, Weigao BP has actively expanded its operation of haemodialysis centres, and continuously improved the management system and training of medical personnel for haemodialysis centres.

3. After the dissolution of the Distribution Joint Venture, Weigao Orthopaedic resumed its sales operation in 2013, developed the independent sales and distribution channels with success. Operating revenue for the year from orthopaedic operation was approximately RMB505,947,000, representing an increase of 126.9% over last year and 34% increase as compared with sales of Weigao branded orthopaedic products by the Distribution Joint Venture in 2012.

   During the Year, as a result of product mix adjustment, the percentage of turnover from high value-added products (products with gross profit margins of over 60%) to total turnover increased to 52.2% (2012: 45.8%).

RESEARCH AND DEVELOPMENT

For the twelve months ended 31 December 2013, product registration certificates for 54 new products were obtained. The research and development for 36 products were completed for which applications for product registration certificates are underway. The Group obtained 92 new patents and 53 new patents are under application.

The strategy of placing strong emphasis on research and development has enhanced the competitiveness and laid a foundation for the Company to fully leverage on its customer resources and provided the Group with new profit growth drivers.

For the twelve months ended 31 December 2013, the Group had over 300 product registration certificates and over 300 patents, of which 37 were patents on invention.

In view of the need for the strategic adjustments to product mix, the Group continued to increase the investment in the research and development in existing products series and new medical devices, so as to further improve its product series and expand product range. The Group continued to maintain its leading position in research and development capability in China. For the twelve months ended 31 December 2013, total research and development expenses amounted to approximately RMB208,921,000 (2012: approximately RMB170,587,000), representing 4.5% (2012: 4.6%) of revenue of the Group.

PRODUCTION

During the Year, The Group completed the relocation of main production facilities (including those workshops for syringes, special infusion sets and blood transfusion sets) and those ancillary facilities like warehouse, inspection center and office building from the original production plant to new industrial zone, and these facilities had been put into operation one after another during the Year.

The Group continued to implement strategy on product mix adjustment by increasing the proportion of high value-added products while decreasing the production of low value-added products with low rate of returns. This enhanced the contribution rate for each type of products and raised the overall profitability of the Company.

SALES AND MARKETING

The Group adhered to implementing the strategy in integrating its sales channels. During the Year, the Group restructured its marketing system and achieved an initial success. At the same time, the Group achieved its expected sales revenue with increased in the number of sales staff, investment and support in market channels.

During the Year, the Group strengthened as its sales management system, integrated and restructured distributors. The Group focused on its marketing resources on customer development and maintained the relationship with hospitals from the grade-A of tier two or above（二甲級以上醫院）. For the twelve months ended 31 December 2013, the Group newly added 127 hospitals while other medical institutes and distributors increased by 23 and 49 respectively. As at the date of this announcement, the Group has a total customer base of 5,159 (including 3,090 hospitals, 414 blood stations, 611 other medical units and 1,044 distributors).

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

TURNOVER BY GEOGRAPHICAL SEGMENTS

	2013	2012	Increase/ (Decrease) over corresponding period
	RMB'000	*RMB'000*	*%*
Eastern and Central	**1,994,133**	1,271,083	56.9
Northern	**970,134**	799,911	21.3
Northeast	**525,798**	453,210	16.0
Southern	**411,231**	322,303	27.6
Southwest	**370,088**	311,331	18.9
Northwest	**143,788**	116,839	23.1
Overseas	**198,138**	198,066	0.0
Subtotal	**4,613,310**	3,472,743	32.8
Distribution Joint Venture	**–**	216,372	–
Total	**4,613,310**	3,689,115	25.1

The integration of sales channels has strengthened the Group's market penetration and influence over the direct sales to high-end customers. It enhanced sales contribution per customer and average sales per customer were increased by approximately 20.2% when compared with last year. It continued to drive up the product penetration to high-end customers and is an important way to generate revenue growth of the Group.

Adjustment in product mix was another important factor in enhancing the results for the Year. During the Year, the Group focused on sales and marketing of high value-added products such as needle products, pre-filled syringes and high valued added infusion sets. It has increased the proportion of sales generated from high value-added products. Comparsion of sales revenue of principal products with that in 2012 is as follows:

	For the twelve months ended 31 December			**For the three months ended 31 December**		
Product category	**2013**	2012	Increase/ (Decrease) over corresponding period	**2013**	2012	Increase/ (Decrease) over corresponding period
	RMB'000	*RMB'000*	*%*	***RMB'000***	*RMB'000*	*%*
Infusion sets	**1,254,165**	1,129,038	11.1	**317,514**	256,920	23.6
Needles	**722,304**	612,085	18.0	**180,313**	123,544	46.0
Syringes	**595,022**	530,805	12.1	**149,719**	121,970	22.8
Blood bags	**233,760**	201,673	15.9	**66,054**	55,181	19.7
Pre-filled syringes	**209,575**	158,586	32.2	**50,924**	26,590	91.5
Blood sampling products	**84,546**	71,316	18.6	**22,807**	17,056	33.7
Wound Management	**77,537**	64,525	20.2	**20,200**	16,816	20.1
PVC granules	**74,421**	67,455	10.3	**19,436**	18,621	4.4
Other consumables	**294,747**	228,153	29.2	**95,102**	53,669	77.2
Subtotal for single-use consumables	**3,546,077**	3,063,636	15.7	**922,069**	690,367	33.6
Orthopaedic products	**505,947**	223,015	126.9	**120,119**	9,611	1,149.8
Blood purification consumables	**450,410**	288,571	56.1	**131,678**	91,172	44.4
Blood purification equipments	**110,876**	113,893	(2.6)	**39,214**	38,122	2.9
Total	**4,613,310**	3,689,115	25.1	**1,213,080**	829,272	46.3

HUMAN RESOURCES

As at 31 December 2013, the Group employed a total of 9,304 employees. The breakdown by departments when compared with last year is as follows:

Department

	2013	2012
Production	**5,660**	5,720
Sales and marketing	**2,085**	1,762
Research and development	**927**	906
Finance and administration	**359**	294
Quality control	**143**	139
Management	**89**	80
Purchasing	**41**	34
Total	**9,304**	8,935

Save for the six employees (including the company secretary) who are resided in Hong Kong and Europe, all the employees of the Group are resided in Mainland China. During the Year, total cost of salaries, welfare and social benefits of the Group amounted to approximately RMB806,202,000 (2012: RMB648,046,000).

Remuneration System

The Group's remuneration policy has been determined based on its performance, changes in the 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 determined by the Remuneration Committee with reference to the operating results of the Company, personal performance of the Director and market competition. The proposed remuneration of Directors requires approval by shareholders at annual general meeting.

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group recorded a turnover of RMB4,613,310,000, representing an increase of 25.1% over the previous financial year. Net profit attributable to the owners of the Company was approximately RMB387,984,000 (2012：net profit attributable to the owners of the Company of approximately RMB996,486,000), representing a decrease of approximately 61.1% as compared with the previous year. Net profit attributable to the owners of the Company excluding extraordinary items (which include the effect on disposal of operation of BIG and exchange differences) was approximately RMB936,941,000 (2012: net profit attributable to the owners of the Company of approximately RMB852,172,000 excluding the effect of operation of BIG and exchange differences), representing an increase of approximately 9.9% over the previous year.

Financial Summary

	2013	2012	Growth
	RMB'000	*RMB'000*	*%*
Turnover	**4,613,310**	3,689,115	25.1
Gross profit	**2,726,866**	2,112,420	29.1
Net profit attributable to the owners of the Company	**387,984**	996,486	(61.1)
Net profit attributable to the owners of the Company excluding extraordinary items	**936,941**	852,172	9.9

The extraordinary items included profit attributable from investment in BIG and loss on disposal amounting to RMB497,421,000 (2012: RMB130,775,000), loss on exchange differences amounting to RMB46,050,000 (2012: gain of RMB29,719,000) and the effect on dissolution of the Distribution Joint Venture with Medtronic amounting to RMB5,456,000 (2012: RMB16,180,000).

Liquidity and Financial Resources

The Group has maintained a sound financial position during the Year. As at 31 December 2013, the Group's cash and bank balance amounted to approximately RMB2,975,623,000. For the year ended 31 December 2013, net cash flow from operating activities of the Group amounted to approximately RMB720,174,000. The Group has maintained a sound cash flow position.

Total interest expenses of the Group for the year ended 31 December 2013 were approximately RMB8,957,000 (2012: RMB4,678,000).

Gearing Ratio

As at 31 December 2013, total net cash of the Group amounted to approximately RMB2,575,723,000 (2012: RMB1,297,856,000). The change in the total net cash was mainly due to increase in cash from disposal of interest in BIG.

Foreign Exchange Risks

The Group's purchases and sales are mainly conducted in the PRC. All of its assets, liabilities and transactions are denominated in RMB. For the year ended 31 December 2013, the Group has not encountered any material difficulty due to currency fluctuation nor shortage of its own operating funds. For the twelve months ended 31 December 2013, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

Due to the change in exchange rates, foreign exchange loss equivalent to RMB46,050,000 for the year ended 31 December 2013 was recognised (2012: foreign exchange gain equivalent to RMB29,719,000) by the Company.

Contingent Liabilities

On 21 April 2011, the Company received a notice of arbitration issued by the Hong Kong International Arbitration Centre, which is related to the dispute in the contract with Adject ApS for a maximum loss up to USD49.6 million.

The award of the arbitration was handed down on 5 March 2013 and the final award on taxation of costs was handed down on 23 October 2013. The Board is of the view that it will not have a significant impact on the Group after considering the following factors:

(a) The Arbitral Tribunal dismissed Adject's claims and only awarded wasted expenditure to Adject; and

(b) The Company was awarded HK$12.05 million in costs while Adject was only awarded HK$8.05 million.

MATERIAL INVESTMENTS/FUTURE MATERIAL INVESTMENT PLANS

1. According to the municipal planning of Weihai City, the industrial zone of the Group's medical consumables production plant will be rezoned as commercial and residential use. Hence, during the Year, the Group made an investment of RMB1,014,295,000 on purchase of land, production facilities and plant construction for the purpose of the overall relocation of the industrial zone for the Group's medical consumables in future.

2. Investing RMB48,000,000 to construct the workshop for irradiation sterilization, with a site area of 6,000 square metres. It is expected to commence production in the fourth quarter of 2014.

Save for the above material investments and investment plans, the Group had no material capital commitments or any future plans involving significant investments or capital assets acquisition as at 31 December 2013, and there was no material acquisition and disposal in any other subsidiaries and associates during the Year.

Capital commitment

As at 31 December 2013, the capital commitment of the Group and the Company contracted but not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB656,312,000 (2012: RMB643,721,000). The above amounts will be financed by the internal resources of the Group.

Pledge of the Group's Assets

As at 31 December 2013, the Group did not pledge the land use rights and buildings (2012: RMB Nil) but the Company pledged bank deposits of RMB143,496,000 (2012: RMB91,546,000) to secure the bills and banking facilities granted to the Group.

Reserves and Distributable Reserves

As at 31 December 2013, total reserves of the Group amounted to RMB8,592,708,000 (2012: RMB8,463,356,000).

Under the PRC laws and regulations, the Company's distributable reserves will be based on the lower of the amount calculated according to the PRC accounting principles and rules and the amount calculated according to the Hong Kong generally accepted accounting principles. As at 31 December 2013, the distributable reserves of the Company were approximately RMB2,151,298,000 (2012: RMB2,038,346,000).

REVIEW AND OUTLOOK

In 2013, facing the situation of rapid development of medical device market and competition of medical device companies in the PRC, the Company adjusted its product lines and disposed its cardiovascular business. Despite such disposal had caused considerable impact on profit for the Year, cash received from the disposal would be beneficial to the future business development and product lines expansion of the Company. The establishment of sales channels in orthopaedic products enhanced the brand awareness of Weigao and its market position. The initial success of marketing and sales restructuring lays a foundation for maintaining customer relationship and expansion of new customers in future.

Looking forward to 2014, facing the rapid development of medical market and intensifying competition from companies in the industry, together with the relocation of new factory and increase in wage costs, the Company believes that these will have a continuous impact in retaining talents and the profitability of consumables for the Company. In view of this situation, the Group will place emphasis on the followings:

1. Speed up the study and formulation of the long term incentive scheme for employees to share the success of the Group. The Group will continue to offer competitive salary and fringe benefits packages to retain and expand the work force.

2. Strengthen management capability in strategy and merger and acquisition, fully capitalise on the customer resource strengths in the PRC high-end market, promote international collaboration by ways of joint venture, co-operation, technology transfer, acquisitions and mergers, introducing technologies and further expanding product categories to consolidate the competitive strengths of the various product lines of the Company, and gradually expand the international market share of existing products.

3. Continue to intensify more efforts in the research and development of new products to facilitate the adjustment of product sales mix, while continuously improve the product functionality, through adopting irradiation sterilization and launching of new PEEK rods in spine and trauma products, increase the competitiveness of our products in the market.

4. Deepen the management of sales organisation, further clarify the organizational structure and management responsibilities for the sales system, establish accountability system for management at different levels in customer expansion and achievement of sales growth, improve the efforts in professional training to customers, increase resources deployment in marketing and academic training, enhance the brand image of Weigao to improve the sales network coverage of the Group and market share of its product lines, and thereby consolidate and expand its market share.

5. Conduct synergistic procurement and synergistic sales to reduce procurement and distribution costs; continue to enhance the investments in technological improvement, and increase the level of automation with an objective of assimilating the pressure from increase in costs in relocation of new factory and rising labour costs.

With study and formulation of long-term talent incentive mechanism and the launching of more upgraded products and large-scale new product series, clear of responsibility and authorisation mechanism of restructured sales organisation, the management believes that the Group will continue to consolidate its leading position in the PRC market. The Group and its employees are confident to face new challenges.

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

During the Year, there was no purchase, sale or redemption of its securities by the Company or any of its subsidiaries.

BOARD PRACTICES AND PROCEDURES

The Code on Corporate Governance Practices (the "CCGP") contained in the Listing Rules which set out the principles of good corporate governance and the Company is required to comply with the code provisions of the CCGP. The Company fully admitted that good corporate governance, as part of the Company's culture, can create values to the Group and the Shareholders efficiently. The Board is committed to continuing to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. The Group has adopted practices which meets the code provisions of the CCGP.

AUDIT COMMITTEE

The Company set up an audit committee with terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company. The audit committee has five members comprising Mr. Lo Wai Hung, Mr. Li Jia Miao, Mrs. Fu Ming Zhong, and Mrs. Wang Jin Xia being independent non-executive directors and Mrs. Zhou Shu Hua, a non-executive director.

During the Year, the audit committee held four meetings and the committee had reviewed and approved the annual report for the year ended 31 December 2012 and the first three quarterly reports of the year 2013. On 26 March 2014, the audit committee had reviewed and approved the financial statements for the year ended 31 December 2013.

The unaudited quarterly and interim results and audited annual results for the year ended 31 December 2013 have been reviewed by the audit committee, which was of the opinion that the preparation of such results had complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive right under the Company's 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.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has complied with the code provision of the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules throughout the year ended 2013.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 30 April 2014 to Friday, 30 May 2014 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting (the "Annual General Meeting"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual 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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), for registration no later than 4:30 p.m. on Tuesday, 29 April 2014.

In order to qualify for attending the annual general meeting:–

Latest time to lodge in the transfer instrument accompanied by the share certificates . . . . 4:30 p.m., Tuesday, 29 April 2014

Closure of register of members of the Company for attendance of the annual general meeting . . . . Wednesday, 30 April 2014 to Friday, 30 May 2014

Latest time to lodge in the reply slip. . . . . 4:30 p.m., Friday, 9 May 2014

Date of annual general meeting. . . . . Friday, 30 May 2014

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend a final dividend of RMB0.031 per share (inclusive of tax). The total amount of final dividends to be distributed shall be approximately RMB138,768,000, of which dividends paid to non-resident corporate shareholders will be subject to the corporate tax applicable on the PRC sourced income pursuant to the PRC Corporate Income Tax Law and the Regulations on the Implementation of the PRC Corporate Income Tax Law that became effective on 1 January 2008 and the applicable tax rate is 10%. The listed issuer will be responsible for withholding the relevant amount of tax from the dividend payment and the dividends to be received by the non-resident corporate shareholders will be net of withholding tax. The proposal to declare and pay the final dividend will be submitted to the forthcoming Annual General Meeting to be held on Friday, 30 May 2014. Final dividend for non-listed shares will be distributed and paid in Renminbi whereas dividend for H shares will be declared in Renminbi and paid in Hong Kong dollars.

The register of members of the Company will be closed from Saturday, 7 June 2014 to Wednesday, 11 June 2014 (both days inclusive) for the purpose of determining shareholders' entitlement to final dividend for the year ended 31 December 2013, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement of final dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), for registration no later than 4:30 p.m. on Friday, 6 June 2014.

In order to qualify to entitle the final dividend for the year ended 31 December 2013:–

Latest time to lodge in the transfer instrument accompanied by the share certificates	4:30 p.m., Friday, 6 June 2014
Closure of register of members of the Company for the entitlement of final dividend for the year ended 31 December 2013	Saturday, 7 June 2014 to Wednesday, 11 June 2014
Record date for entitlement of final dividend	Wednesday, 11 June 2014
Despatch date of final dividend	Friday, 11 July 2014

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 9:00 a.m. on Friday, 30 May 2014 at the office of the Company at 18 Xing Shan Road, Weihai Torch Hi-tech Science Park, Weihai, Shandong Province, the PRC.

By Order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Chen Xue Li
Chairman

26 March 2014
Weihai, Shandong Province, the PRC

As at the date of this announcement, the Board Comprises:
Mr. Zhang Hua Wei *(Executive Director)*
Mr. Wang Yi *(Executive Director)*
Mr. Gong Jian Bo *(Executive Director)*
Mr. Xia Lie Bo *(Executive Director)*
Mr. Chen Xue Li *(Non-executive Director)*
Mrs. Zhou Shu Hua *(Non-executive Director)*
Mr. Lo Wai Hung *(Independent non-executive Director)*
Mr. Li Jia Miao *(Independent non-executive Director)*
Mrs. Fu Ming Zhong *(Independent non-executive Director)*
Mrs. Wang Jin Xia *(Independent non-executive Director)*