

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 2014**

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, collectively referred to as the "Group") for the three months ended 31 March 2014 (the "Period"), together with the unaudited comparative figures for the same period in 2013 as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
 COMPREHENSIVE INCOME**

**Consolidated Income Statement**

	<b>Unaudited</b>	
	<b>For the three months</b>	
	<b>ended 31 March</b>	
	<b>2014</b>	<b>2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	<b>1,168,024</b>	1,012,676
Cost of sales	<b>(484,104)</b>	(410,836)
Gross profit	<b>683,920</b>	601,840
Other income	<b>13,417</b>	11,289
Distribution costs	<b>(304,538)</b>	(269,689)
Administrative expenses	<b>(72,850)</b>	(61,461)
Research and development expenses	<b>(53,380)</b>	(47,507)
Finance costs	<b>(4,179)</b>	(1,853)
Share of (loss)/profit of two jointly controlled entities	<b>(4,096)</b>	29
Share of (loss)/profit of two associates	<b>(4,360)</b>	28,007
Profit before taxation	<b>253,934</b>	260,655
Taxation	<b>(38,659)</b>	(32,881)
Profit for the Period	<b>215,275</b>	227,774

\* For identification purpose only

**Unaudited**  
**For the three months**  
**ended 31 March**  
**2014**                      **2013**  
**RMB'000**                      **RMB'000**

Other comprehensive income		
Exchange differences arising on translation of foreign operations		
Subsidiaries	<u>1,149</u>	<u>1,119</u>
 Total comprehensive income for the Period	 <u><b>216,424</b></u>	 <u>228,893</u>
 Profit for the Period attributable to:		
Equity holders of the Company	<b>215,954</b>	228,322
Non-controlling interests	<u>(679)</u>	<u>(548)</u>
	 <u><b>215,275</b></u>	 <u>227,774</u>
 Total comprehensive income attributable to:		
Equity holders of the Company	<b>217,103</b>	229,441
Non-controlling interests	<u>(679)</u>	<u>(548)</u>
	 <u><b>216,424</b></u>	 <u>228,893</u>
 Dividends proposed	 <u>-</u>	 <u>-</u>
	 <b>RMB</b>	 <b>RMB</b>
Earnings per share (basic)	<u><b>0.048</b></u>	<u>0.051</u>

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

These unaudited condensed consolidated statement of comprehensive income has been prepared in accordance with No. 34 “Interim Financial Reporting” of Hong Kong Accounting Standards (the “HKAS”) 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 the 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 2013.

These financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2013.

## **INTERPRETATION AND EXPLANATION**

### **1. Revenue**

For the three months ended 31 March 2014, the revenue of the Group amounted to approximately RMB1,168,024,000, representing an increase of approximately 15.3% over approximately RMB1,012,676,000 for the same period last year. During the Period, the Group further decentralized the decision making authority in the sales system, clarified responsibility and set the evaluation criteria for various levels in the sales organization, deployed resources for developing new customers, assigned growth target and penetrated new products for existing customers and, at the same time, developing key customer accounts, raising customer and product lines coverage. Due to keen competition during the Period, sales of infusion sets and medical needles increased by 9.4% and 6.6% respectively. Sales of pre-filled syringes and wound management products increased by 73.2% and 39.0% respectively.

The blood purification products business of the Group maintained growth momentum through increasing marketing promotion and allocation of sales resources. For the three months period ended 31 March 2014, the turnover of haemodialysis consumables amounted to approximately RMB117,426,000 (for the same period in 2013: approximately RMB85,661,000), representing an increase of 37.1% when compared with the same period last year.

During the Period, the turnover of orthopaedic products of the Group was approximately RMB140,331,000 (for the same period in 2013: approximately RMB127,628,000), representing an increase of 10.0% when compared with the same period last year. The lower growth of orthopaedic products was mainly because of sales recorded in first quarter in 2013 of deferred orders from customers arising from impending dissolution of the Distribution Joint Venture with Medtronic Inc (“Medtronic”) at the end of 2012, resulting in higher sales in the same period last year and a decrease in Medtronic’s OEM orders during the Period. Excluding these two factors, the turnover of orthopedic implant products increased by 28.4% compared with the same period last year.

Comparison of the sales 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>2014</b>	2013	Growth
	<b><i>RMB’000</i></b>	<i>RMB’000</i>	<i>%</i>
Single-use consumables			
Infusion sets	<b>313,524</b>	286,680	9.4
Medical needles	<b>179,560</b>	168,419	6.6
Syringes	<b>154,178</b>	133,196	15.8
Pre-filled syringes	<b>76,851</b>	44,379	73.2
Blood bags	<b>54,510</b>	48,976	11.3
Wound Management	<b>20,057</b>	14,430	39.0
Blood sampling products	<b>16,299</b>	15,099	7.9
PVC granules	<b>10,043</b>	15,174	(33.8)
Other consumables	<b>68,259</b>	56,250	21.3
Subtotal for single-use consumables	<b>893,281</b>	782,603	14.1
Orthopaedic products	<b>140,331</b>	127,628	10.0
Blood purification consumables	<b>117,426</b>	85,661	37.1
Blood purification equipments	<b>16,986</b>	16,784	1.2
Total	<b>1,168,024</b>	1,012,676	15.3

## **2. Gross profit**

During the Period, the gross profit margin of the Group decreased to 58.6% from 59.4% in the same period last year, which was mainly attributable to the impact of the increase in the proportion of the sale of blood purification consumables to the Group's total sales, lower average selling price of IV catheters, continuous increase in labour costs and production plant relocation costs. The Group adopted measures and strived to improve the operation and management efficiency through on-going product mix optimization and continuous technological enhancement to mitigate the impact of costs escalation.

## **3. Other income**

During the Period, other income increased by 18.9% as compared with the same period last year, which was mainly due to the impact of the increase in the interest income on bank deposits.

## **4. Distribution costs**

During the Period, distribution costs increased by 12.9%, representing 26.1% (for the same period in 2013: 26.6%) of total revenue, which was mainly due to the increase in the sales and marketing expenses.

## **5. Administrative expenses**

During the Period, administrative expenses increased by 18.5%, representing 6.2% (for the same period in 2013: 6.1%) of total revenue, which was mainly due to the impact of the increase in the Company's staff salary, administrative costs and cost of plant relocation.

## **6. Research and development expenses**

During the Period, research and development expenses increased by 12.4%, representing 4.6% (for the same period in 2013: 4.7%) of total revenue.

## **7. Share of profit and loss of two jointly controlled entities**

Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd., in which 51% equity interests was held by the Group, has run well. For the three months ended 31 March 2014, profit attributable to the Group was approximately RMB1,298,000 (for the same period in 2013: profit of approximately RMB29,000).

As at the date of this announcement, the preliminary works on production and sales of Weigao Terumo (Weihai) Medical Products Co., Ltd., in which 50% interests is held by the Group, is running smoothly. The joint venture company will mainly engage in the production and sales of peritoneal dialysis related devices in the PRC. For the three months ended 31 March 2014, loss attributable to the Group was approximately RMB5,394,000 (for the same period in 2013: nil).

## **8. Share of profit and loss of two associates**

The winding up of the Distribution Joint Venture with Medtronic in orthopaedic products is underway. The division and transfer of principal assets, personnel, markets and business operation of the Distribution Joint Venture had been completed. During the Period, the loss of Distribution Joint Venture attributable to the Group amounted to approximately RMB4,360,000.

The Group disposed of all the equity interests of Biosensors it held in the fourth quarter last year and profit and losses of all transactions were recorded. Business of Biosensors International Group (“BIG”) no longer had impact on the Group’s business for the current period (profit attributable to the Group of the same period in 2013 amounted to approximately RMB28,007,000).

## **9. Taxation**

Tax expenses increased by 17.6%, which was mainly attributable to the increase of assessable profit.

During the Period, the Company, Shandong Weigao Orthopaedic Device Company Limited, Weihai Jierui Medical Products Company Limited and Weihai Weigao Blood Purification Products Company Limited are subject to income tax at a rate of 15% (same period in 2013: 15%). Taxation for other PRC subsidiaries is computed at a tax rate of 25% (for the same period in 2013: 25%).

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

During the Period, no provision for overseas taxation was made for Weigao Medical (Europe) Co., Ltd. and Weigao Medical Germany GmbH as they did not have any assessable profit during the Period.

## **10. Dividend**

There were no dividends declared for the three months ended 31 March 2014 (for the same period in 2013: nil).

## **11. Profit attributable to equity holders of the Company**

For the three months ended 31 March 2014, net profit attributable to shareholders of the Group was approximately RMB215,954,000 (for the same period in 2013: approximately RMB228,322,000), representing a decrease of 5.4% over the same period last year. Net profit attributable to the owners of the Company, excluding extraordinary items, was approximately RMB220,314,000 (for the same period in 2013: approximately RMB200,315,000), representing an increase of approximately 10.0% over the same period last year.

The extraordinary items include the loss of RMB4,360,000 from the dissolution of the Distribution Joint Venture with Medtronic during the Period and the profit from Biosensors recorded in the same period last year amounting to RMB28,007,000.

## **12. Earnings per share**

For the three months ended 31 March 2014, basic earnings per share was computed based on the net profit attributable to shareholders of approximately RMB215,954,000 (for the same period in 2013: approximately RMB228,322,000), and the weighted average total number of 4,476,372,324 shares (for the same period in 2013: 4,476,372,324 shares).

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

Weihai, Shandong, the PRC  
14 May 2014

*As at the date of this announcement, the Board comprises Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Gong Jian Bo and Mr. Xia Lie Bo as executive directors; Mr. Chen Xue Li and Mrs. Zhou Shu Hua as non-executive directors; and Mr. Lo Wai Hung, Mr. Li Jia Miao, Mrs. Fu Ming Zhong and Mrs. Wang Jin Xia as independent non-executive directors.*