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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

SUMMARY

For the six months ended 30 June 2015 (the "Period"), the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB2,876,884,000, representing an increase of approximately 13.1% over approximately RMB2,544,565,000 for the same period last year.

The unaudited net profit attributable to the shareholders of the Group for the six months ended 30 June 2015 was approximately RMB584,374,000, representing an increase of approximately 23.6% over approximately RMB472,901,000 for the same period last year. Excluding extraordinary items, net profit attributable to owners of the Company was approximately RMB581,437,000 (same period in 2014 of approximately RMB477,131,000), representing an increase of approximately 21.9% when compared with the same period last year.

* For identification purpose only

During the Period, (1) turnover of single-use consumables was approximately RMB2,124,894,000, representing an increase of approximately 10.2% when compared with the same period last year; (2) turnover of orthopaedic products was approximately RMB355,972,000, representing an increase of approximately 18.5% when compared with the same period last year; (3) turnover of blood purification business was approximately RMB396,018,000, representing an increase of approximately 25.4% over the same period last year; and (4) the Group disposed of all of its equity interests in Weigao Haisheng Medical Equipment Co., Ltd. (“Haisheng”) during the first quarter of the year and recorded a gain of approximately RMB2,535,000.

The Board of Directors (the “Board”) recommends the distribution of an interim dividend of RMB0.039 per share for the six months ended 30 June 2015 (same period in 2014: RMB0.031 per share). The proposal is subject to the approval by the shareholders of the Company (the “Shareholders”) at the forthcoming general meeting.

UNAUDITED CONSOLIDATED INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2015, together with the unaudited comparative figures for the same period in 2014 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited For the six month ended 30 June	
		2015	2014
	Notes	RMB'000	RMB'000
Revenue	3	2,876,884	2,544,565
Cost of sales		<u>(1,159,535)</u>	<u>(1,047,990)</u>
Gross profit		1,717,349	1,496,575
Other income, gain and loss		50,578	19,894
Distribution costs		(747,009)	(680,910)
Administration expenses		(179,891)	(148,817)
Research and development expenses		(134,501)	(110,986)
Finance costs	5	(8,590)	(9,754)
Share of profit/(loss) of joint controlled entities		1,920	(3,743)
Share of profit/(loss) of an associate		402	(4,230)
Gain on disposal of a subsidiary		<u>2,535</u>	<u>—</u>
Profit before taxation	6	702,793	558,029
Income tax expense	7	<u>(99,673)</u>	<u>(82,684)</u>
Profit for the Period		<u><u>603,120</u></u>	<u><u>475,345</u></u>

Unaudited		
For the six month		
ended 30 June		
	2015	2014
Notes	RMB'000	RMB'000
Other comprehensive income		
Exchange difference on translation of foreign operations	<u>(116)</u>	<u>1,115</u>
Total comprehensive income for the Period	<u>603,004</u>	<u>476,460</u>
Profit for the Period attributable to:		
Owners of the Company	8 584,374	472,901
Non-controlling interest	<u>18,746</u>	<u>2,444</u>
	<u>603,120</u>	<u>475,345</u>
Total comprehensive income attributable to:		
Owners of the Company	584,258	474,016
Non-controlling interest	<u>18,746</u>	<u>2,444</u>
	<u>603,004</u>	<u>476,460</u>
	RMB	RMB
Earnings per share – Basic	10 <u>0.131</u>	<u>0.106</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2015 (Unaudited) RMB'000	As at 31 December 2014 (Audited) RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	<i>11</i>	4, 640,256	4,154,071
Investment properties		54,968	30,619
Deposits paid for acquiring property, plant and equipment		103,664	134,559
Prepaid lease payments	<i>12</i>	464,236	469,326
Intangible assets		11,773	13,590
Interest in jointly controlled entities	<i>13</i>	114,119	112,199
Interest in an associate	<i>14</i>	123,981	123,579
Goodwill		202,900	202,900
Deferred income tax assets		29,981	30,229
Other receivables – receivable after one year		15,000	–
		5,760,878	5,271,072
Current assets			
Inventories	<i>15</i>	839,069	914,519
Trade and other receivables	<i>16</i>	3,652,526	2,987,661
Available-for-sale investments		12,485	–
Pledged bank deposits	<i>17</i>	137,952	110,770
Bank balances and cash	<i>18</i>	3,171,013	2,786,085
		7,813,045	6,799,035
Current liabilities			
Trade and other payables	<i>19</i>	2,080,690	1,676,632
Bank borrowings – repayable within one year		280,500	270,600
Taxation payable		46,035	51,699
Deferred income-current portion		4,000	4,000
		2,411,225	2,002,931
Net current assets		5,401,820	4,796,104
		11,162,698	10,067,176

		As at 30 June 2015 (Unaudited) <i>RMB'000</i>	As at 31 December 2014 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
Capital and reserves			
Share capital	20	447,637	447,637
Reserves	21	9,836,018	9,400,268
Equity attributable to owners of the Company		10,283,655	9,847,905
Non-controlling interest		93,270	31,686
Total equity		10,376,925	9,879,591
Non-current liability			
Bank borrowings – repayable after one year		748,900	149,100
Deferred income		36,147	38,485
Other payables		726	–
		785,773	187,585
		11,162,698	10,067,176

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	For the six months	
	ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow generated from operating activities	257,113	345,850
Net cash outflow used in investing activities	<u>(524,486)</u>	<u>(341,006)</u>
Net cash (outflow)/inflow before financing activities	(267,373)	4,844
Net cash inflow/(outflow) from financing activities	<u>652,113</u>	<u>(143,274)</u>
Net increase/(decrease) in cash and cash equivalents	384,740	(138,430)
Bank balances and cash as at beginning of Period	<u>2,786,085</u>	<u>2,975,623</u>
Effect of foreign exchange rate changes, net	<u>188</u>	<u>(5,459)</u>
Bank balances and cash as at end of Period	<u>3,171,013</u>	<u>2,831,734</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	For the six months	
	ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Balance as at 1 January	9,847,905	9,040,345
Net profit for the Period	584,374	472,901
Dividends paid	(156,673)	(131,561)
Injection of minority shareholders	8,165	–
Exchange gains and losses arising from foreign currency transactions	<u>(116)</u>	<u>1,115</u>
Balance as at 30 June	<u>10,283,655</u>	<u>9,382,800</u>

NOTES:

1. General

The Company was incorporated as a joint stock company with limited liability on 28 December 2000 in Shandong Province, the People's Republic of China (the "PRC") under the Company Law of the PRC. Its ultimate holding company is Weigao Holding Company Limited ("Weigao Holding"), a company registered in the PRC with limited liability.

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 27 February 2004 and the listing status was withdrawn from the GEM and transferred to the Main Board of the Stock Exchange since 29 July 2010.

The Group is principally engaged in the research and development, production and sale of single use medical device, orthopaedic products and blood purification products. The unaudited consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its subsidiaries.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with No. 34 "Interim Financial Reporting" of Hong Kong Accounting Standard ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants, the 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 ("Listing Rules"). 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 2014.

The Group has applied various new and amended Hong Kong Financial Reporting Standards and HKAS (collectively referred to as the "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning after 1 January 2008. The adoption of the "new HKFRSs" had no material effect on the presentation of the results for the current accounting period and/or previous accounting years. Therefore, no adjustment has been made for the previous periods.

All significant intra-group transactions balances, income and expenses have been eliminated upon consolidation. The consolidated results for the six months ended 30 June 2015 have not been audited by the Company's auditor but have been reviewed by Audit Committee of the Company.

These financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2014.

3. Revenue

Revenue represents the fair value of the consideration received and receivable for goods sold by the Group to external customers after deducting sales tax and sales returns during the Period.

4. 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 its principal place of business is in the PRC.

For management purposes, the Group is currently organised into three operating divisions – single use medical device products, orthopaedic products and blood purification products. These divisions are segmented on the basis of internal reporting of the Group that are regularly reviewed by the chief operating decision maker for allocating resources to the segments and assess their performance.

The 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, medical needles, syringes, pre-filled syringes, blood bags and wound management products.
- Orthopaedic products – production and sale of orthopaedic products.
- Blood purification products – production and sale of blood purification products and related medical equipment.

The segment information and results of those businesses are as follows:

For the six months ended 30 June 2015

	Single-use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue					
External sales	2,124,894	355,972	396,018	–	2,876,884
Inter-segment sales	3,867	–	1,825	(5,692)	–
Total	2,128,761	355,972	397,843	(5,692)	2,876,884
Segment profit	486,691	158,678	27,355	–	672,724
Unallocated expenses					(898)
Unallocated other income, gain and losses					26,110
Share of profit of jointly controlled entities					1,920
Share of profit of an associate					402
Gain on disposal of a subsidiary					2,535
Profit before taxation					702,793

For the six months ended 30 June 2014

	Single-use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue					
External sales	1,928,377	300,281	315,907	–	2,544,565
Inter-segment sales	<u>6,847</u>	<u>–</u>	<u>920</u>	<u>(7,767)</u>	<u>–</u>
Total	<u>1,935,224</u>	<u>300,281</u>	<u>316,827</u>	<u>(7,767)</u>	<u>2,544,565</u>
Segment profit	<u><u>382,924</u></u>	<u><u>136,638</u></u>	<u><u>25,155</u></u>	<u><u>–</u></u>	544,717
Unallocated expenses					(503)
Unallocated other income, gain and losses					21,788
Share of profit of jointly controlled entities					(3,743)
Share of profit of an associate					<u>(4,230)</u>
Profit before taxation					<u><u>558,029</u></u>

5. Finance costs

Finance costs for the six months ended 30 June 2015 were approximately RMB8,590,000 (same period in 2014: approximately RMB9,754,000), which mainly included interest expenses on bank and other borrowings.

6. Profit before taxation

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit before taxation has been arrived at after charging (crediting) the followings:		
Allowances for bad and doubtful debts	21,109	16,529
Amortization of intangible assets (included in administration expenses)	1,817	1,817
Depreciation of property, plant and equipment	145,427	111,367
Depreciation of investment properties	898	503
Prepaid lease payments charged to profit or loss	5,369	6,033
Rental payments in respect of premises under operating leases	8,212	8,313
Research and development expenditure	134,501	110,986
Cost of inventory recognized as expenses	1,159,535	1,047,990
Staff costs, including directors' and supervisors' remuneration		
Retirement benefits scheme contribution	121,221	92,664
Salaries and other allowances	361,953	313,468
Total staff costs	483,174	406,132
(Gain)/losses from foreign exchange, net	(188)	5,459
Losses on disposal of property, plant and equipment	1,965	23
Interest income	(41,537)	(17,609)
Rental income from investment properties	(3,852)	(2,486)
Rebate of value-added tax	(20,539)	(19,183)

Note: Weihai Jierui Medical Products Company Limited (威海潔瑞醫用製品有限公司) (“Jierui Subsidiary”) was recognized as a “Social Welfare Entity”, and under the “payment then refund” principle, and Weihai Municipal Government had granted Jierui Subsidiary the exemption of paying value-added tax with effect from 1 May 1999. Pursuant to Cai Shui Guo Fa 2007 No. 92 issued by State Council, with effect from 1 July 2007, the amount of exempted value-added tax granted to Jierui Subsidiary is determined by taking into account the number of employees with disabilities. The value-added tax refund to be granted to Jierui Subsidiary for every employee with disability was based on six times of the minimum wages approved by Weihai Municipal Government, and the annual cap refund of each employee with disability is RMB35,000.

7. Income tax expense

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulations of EIT Law, the tax rate of certain PRC subsidiaries is 25% from 1 January 2008 onwards.

In accordance with the "Notice of the Ministry of Finance and the State Administration of Taxation Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", new and high technology enterprises are subject to income tax at a tax rate of 15%.

The Company, Weihai Jierui Medical Products Company Limited ("Jierui Subsidiary"), Shandong Weigao Orthopaedic Device Company Limited ("Weigao Orthopaedic") and Weihai Weigao Blood Purification Product Company Limited ("Weigao BP") were recognized as Shandong Province New and High Technology Enterprises (山東省高新技術企業). Therefore, they are subject to income tax at a rate of 15%.

Jierui Subsidiary was recognised as a "Social Welfare Entity". Pursuant to Cai Shui 2007 No. 92 document issued by State Council, with effect from 1 July 2007, Jierui Subsidiary is also 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 assessable profit of Jierui Subsidiary and the rebate of value added tax is deducted from the PRC income tax. Jierui Subsidiary is subject to income tax at a tax rate of 15%. The tax charge provided for the period ended 30 June 2015 was made after taking these tax incentives into account.

Weigao Orthopaedic is a sino-foreign joint venture operating in the PRC and is entitled to an exemption from PRC income tax for the two years commencing from its first profit-making year, followed by a 50% tax relief for the next three years. Weigao Orthopaedic commenced its first profit-making year in 2006. Taxation for the period ended 30 June 2015 is computed at a tax rate of 15%.

Taxation for other PRC subsidiaries is computed at a tax rate of 25% (2014: 25%).

No tax provision been made for all the subsidiaries established overseas and in Hong Kong as they did not have assessable profit during the Period.

8. Profit attributable to owners of the Company

For the six months ended 30 June 2015, net profit attributable to owners of the Group were approximately RMB584,374,000 (same period in 2014: approximately RMB472,901,000).

9. Dividends

The Board recommends the distribution of an interim dividend of RMB0.039 per share for the six months ended 30 June 2015 (same period in 2014: RMB0.031 per share).

10. Earnings per share

For the six months ended 30 June 2015, basic earnings per share were calculated based on the net profits attributable to shareholders of approximately RMB584,374,000 (same period in 2014: approximately RMB472,901,000) and the weighted average total number of shares of 4,476,372,324 shares (same period in 2014: 4,476,372,324 shares).

For the six months ended 30 June 2015, diluted earnings per share were not presented as there were no potential dilutive shares during the periods.

11. Property, plant and equipment

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office RMB'000	Total RMB'000
COST						
As at 1 January 2014	1,765,310	1,377,652	1,184,298	63,597	288,716	4,679,573
Additions	562,264	1,262	107,384	12,115	73,525	756,550
Transfer	(1,011,419)	630,356	153,991	413	226,659	–
Transfer to investment properties	–	(29,427)	–	–	–	(29,427)
Transfer from investment properties	–	9,957	–	–	–	9,957
Disposals	–	(394,134)	(34,089)	(4,707)	(10,393)	(443,323)
As at 31 December 2014	1,316,155	1,595,666	1,411,584	71,418	578,507	4,973,330
Additions	558,259	2,292	61,724	1,907	44,351	668,533
Transfer	(66,412)	8,887	51,791	486	5,248	–
Transfer to investment properties	–	(33,500)	–	–	–	(33,500)
Transfer from investment properties	–	9,928	–	–	–	9,928
Disposals	–	–	(21,194)	(1,515)	(4,582)	(27,291)
As at 30 June 2015	1,808,002	1,583,273	1,503,905	72,296	623,524	5,591,000
Depreciation						
As at 1 January 2014	2,314	148,162	413,902	35,612	131,208	731,198
Provided for the year	–	49,362	121,109	8,537	61,355	240,363
Eliminated on disposals	–	(125,193)	(21,680)	(3,773)	(3,702)	(154,348)
Transfer to investment properties	–	(944)	–	–	–	(944)
Transfer from investment properties	–	2,990	–	–	–	2,990
As at 31 December 2014	2,314	74,377	513,331	40,376	188,861	819,259
Provided for the year	–	27,627	71,009	3,270	43,521	145,427
Transfer to investment properties	–	(116)	–	–	–	(116)
Transfer from investment properties	–	1,791	–	–	–	1,791
Eliminated on disposals	–	–	(11,329)	(1,026)	(3,262)	(15,617)
As at 30 June 2015	2,314	103,679	573,011	42,620	229,120	950,744
Carrying values						
As at 30 June 2015	1,805,688	1,479,594	930,894	29,676	394,404	4,640,256
As at 31 December 2014	1,313,841	1,521,289	898,253	31,042	389,646	4,154,071

12. Prepaid lease payments

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
The Group's prepaid lease payments comprise:		
Leasehold land in PRC		
Medium-term lease	<u>475,559</u>	<u>480,928</u>
Analysed for reporting purposes as:		
Current portion	11,323	11,602
Non-current portion	<u>464,236</u>	<u>469,326</u>
	<u>475,559</u>	<u>480,928</u>

13. Interests in joint ventures

Name	Form of business structure	Place of incorporation or registration/ operation	Attributable proportion of nominal value of registered capital held by the Group		Principal activities
			30 June 2015	31 December 2014	
Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd. ("Weigao Nikkiso")	Incorporated	PRC	51%	51%	Manufacture, sale and after-sale service of Nikkiso technology based medical products.
Weigao Terumo (Weihai) Medical Products Co., Ltd. ("Weigao Terumo")	Incorporated	PRC	50%	50%	Manufacturing and sale of medical products.

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Cost of unlisted investment, at cost	117,990	117,990
Share of post-acquisition loss	(3,871)	(5,791)
	<u>114,119</u>	<u>112,199</u>

14. Interest in associates

Name	Form of business structure	Place of incorporation or registration/ operation	Attributable equity interest directly held by the Company		Principal activities
			30 June 2015	31 December 2014	
Medtronic Weigao Orthopaedic Device Company Limited	Incorporated	PRC	49%	49%	Sale and distribution of orthopaedic medical device products
			30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000	
Cost of unlisted investment in an associate, at cost			—	—	
Realised gain arising from the establishment of an associate			72,314	72,314	
Share of post-acquisition profit and other comprehensive income, net of dividends received			<u>51,667</u>	<u>51,265</u>	
			<u>123,981</u>	<u>123,579</u>	

15. Inventories

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Raw materials	161,430	177,319
Finished goods	677,639	737,200
	<u>839,069</u>	<u>914,519</u>

16. Trade and other receivables

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
0 to 90 days	1,469,485	1,196,036
91 to 180 days	502,388	484,988
181 to 365 days	371,767	322,112
Over 365 days	168,300	133,811
Trade receivables	2,511,940	2,136,947
Bills receivables	177,955	141,757
Other receivables	351,341	71,241
Prepayments	148,081	174,228
Compensation	451,886	451,886
Prepaid lease payments	11,323	11,602
	<u>3,652,526</u>	<u>2,987,661</u>

17. Pledged bank deposits

The amounts represented deposits pledged to banks to secure the banking facilities granted to the Group. The amounts had been pledged to secure against the short term bank loans and banking facilities and are therefore classified as current assets. The deposits carry interest rates of 0.35% to 4.78% (same period in 2014: 0.385% to 3.03%) per annum.

18. Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of one year or less. The maximum fixed interest rate for those deposits was ranging from 0.35% to 3.25% (same period in 2014: 0.385% to 3.3%) per annum. The fair values of bank deposits as at 30 June 2015 were approximated to their corresponding carrying amounts.

19. Trade and other payables

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
0 to 90 days	340,201	418,439
91 to 180 days	74,080	60,479
181 to 365 days	21,705	12,414
Over 365 days	35,860	29,864
Trade payables	471,846	521,196
Bills payables	133,220	153,340
Advances from customers	80,381	79,356
Other tax payables	78,125	34,936
Construction cost and retention payable	245,357	89,933
Other payables	1,071,761	797,871
	2,080,690	1,676,632

20. Share capital

	Nominal value of each share <i>RMB</i>	Number of non-listed Shares	Number of H Shares	Total number of Shares	Value <i>RMB '000</i>
As at 1 January 2014	0.1	<u>2,592,640,000</u>	<u>1,883,732,324</u>	<u>4,476,372,324</u>	<u>447,637</u>
As at 31 December 2014	0.1	<u>2,592,640,000</u>	<u>1,883,732,324</u>	<u>4,476,372,324</u>	<u>447,637</u>
As at 30 June 2015	0.1	<u>2,592,640,000</u>	<u>1,883,732,324</u>	<u>4,476,372,324</u>	<u>447,637</u>

21. Movements in reserves

	Share capital <i>RMB '000</i>	Share premium reserve <i>RMB '000</i>	Statutory surplus reserve <i>RMB '000</i> (Note)	Translation reserve <i>RMB '000</i>	Other reserve <i>RMB '000</i>	Retained surplus <i>RMB '000</i>	Total <i>RMB '000</i>	Non- controlling interests <i>RMB '000</i>	Total <i>RMB '000</i>
As at 1 January 2014	447,637	2,478,544	255,658	(2,276)	1,439	5,859,343	9,040,345	22,587	9,062,932
Profit for the year	–	–	–	–	–	1,084,948	1,084,948	9,872	1,094,820
Exchange differences arising on translation of foreign operations – subsidiaries	–	–	–	490	–	–	490	–	490
Total comprehensive income for the year	–	–	–	490	–	1,084,948	1,085,438	9,872	1,095,310
Purchases of minority interests	–	–	–	–	(342)	–	(342)	(773)	(1,115)
Dividends recognised as distribution	–	–	–	–	–	(277,536)	(277,536)	–	(277,536)
As at 31 December 2014	447,637	2,478,544	255,658	(1,786)	1,097	6,666,755	9,847,905	31,686	9,879,591
Profit for the year	–	–	–	–	–	584,374	584,374	18,746	603,120
Exchange differences arising on translation of foreign operations – subsidiaries	–	–	–	(116)	–	–	(116)	–	(116)
Total comprehensive income for the year	–	–	–	(116)	–	584,374	584,258	18,746	603,004
Injection from minority shareholders	–	8,165	–	–	–	–	8,165	42,838	51,003
Dividends paid	–	–	–	–	–	(156,673)	(156,673)	–	(156,673)
As at 30 June 2015	<u>447,637</u>	<u>2,486,709</u>	<u>255,658</u>	<u>(1,902)</u>	<u>1,097</u>	<u>7,094,456</u>	<u>10,283,655</u>	<u>93,270</u>	<u>10,376,925</u>

Notes:

(a) *Bases for appropriation to reserves*

Appropriation to statutory surplus reserve and statutory public welfare fund have been calculated based on the net profits in the financial statement prepared under the generally accepted accounting principles in the PRC (“PRC GAAP”).

(b) *Statutory surplus reserve*

The Articles of Association of the companies under the Group (other than overseas companies) requires that 10% of the profit after taxation for each year should be transferred to the statutory surplus reserve in accordance with the PRC GAAP, until it has reached 50% of the registered capital. Pursuant to the Articles of Association of the companies under the Group, under normal circumstances, statutory surplus reserves can only be used to make up for the losses, convert into share capital by way of capitalization, and for the expansion of the Company’s production and operation scope. In the event of converting the statutory surplus reserve into share capital by way of capitalization, it should not result that the balance of such reserves will be less than 25% of the registered capital.

(c) *Statutory public welfare fund*

According to the Company Law of PRC and the amended Articles of Association of the Company, from 1 January 2006 onwards, the companies under the Group ceased to transfer funds to statutory public welfare fund. The statutory public welfare fund as at 31 December 2005 was part of the share capital of the shareholders, which cannot be distributed other than for the purpose of liquidation. Pursuant to the board resolution of the Company, in accordance with the Company Law of the PRC, the Company transferred an amount of RMB17,147,000 from the statutory public welfare fund to the statutory surplus reserve on 1 January 2006.

According to the laws and regulations of the PRC, the distributable profit of the Company was determined at the lower of such amount computed based on the accounting principles and regulations of the PRC or the generally accepted accounting principles in Hong Kong. As at 30 June 2015, the retained earnings available for distribution to shareholders was approximately RMB2,521,746,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimization adjustments to product mix

During the Period, the gross profit margin of the Group increased to 59.7% from 58.8% in the same period last year, which was mainly attributable to improvement in operational and management efficiency through continuous technological enhancement for single use consumables and the impact from the decline in chemical raw materials due to drop in oil prices.

During the Period, the percentage of turnover from high value-added products (products with gross profit margins of over 60%) of the Group to the total turnover was 57.3% (same period last year: 52.9%). The performance of the Group in three business segments was as follows:

1. Consumables: During the Period, the principal products segment of the Group achieved a turnover of approximately RMB2,124,894,000, representing an increase of 10.2% over the same period last year.

During the Period, the Group's infusion sets, including specialized infusion sets with dosage control device and infusion sets made of proprietary non PVC based material, recorded sales of approximately RMB766,140,000, representing an increase of 10.2% over the same period last year. Among which, pre-filled flush syringes recorded sales of approximately RMB68,313,000 during the Period.

During the Period, the needle products of the Group recorded a turnover of approximately RMB412,688,000, representing an increase of 9.2% when compared with the same period last year.

The Company has established a leading position in domestic market share in pre-filled syringes. The turnover of pre-filled syringes for the Period amounted to approximately RMB165,784,000, representing an increase of 20.0% over the same period last year.

2. The blood purification business of Weigao BP had achieved rapid growth. During the Period, it recorded a turnover of approximately RMB396,018,000, representing an increase of 25.4% when compared with the same period last year. Haemodialysis consumable products recorded a turnover of approximately RMB322,143,000, representing an increase of 22.8% when compared with the same period last year. Haemodialysis machine recorded a turnover of approximately RMB73,875,000, representing an increase of 37.8% when compared with the same period last year.
3. Orthopaedic business for the Period recorded a turnover of approximately RMB355,972,000, representing an increase of 18.5% as compared with the same period last year.

RESEARCH AND DEVELOPMENT

For the six months ended 30 June 2015, the Group obtained 21 new patents and 93 new patents are under application. Product registration certificates for 17 new products were obtained. The research and development for 44 products were completed for which application for product registration certificates are underway.

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

As at 30 June 2015, the Group had over 360 product registration certificates and over 390 patents, of which 49 were patents on invention.

In view of the need for the strategic adjustments to product mix, the Group continued to invest 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. For the six months ended 30 June 2015, total research and development expenses amounted to approximately RMB134,501,000 (same period in 2014: approximately RMB110,986,000), representing 4.7% (same period in 2014: 4.4%) of the turnover of the Group.

PRODUCTION

During the Period, 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 return rate, and enhanced the contribution rate for each product type. At the same time, the Group proactively improved in production process to reduce production costs, thereby eventually improving the overall profitability of the Company.

SALES AND MARKETING

The Group persisted to implement the strategy in integrating its sales channels and adjusting its product mix. For the six months ended 30 June 2015, the Group newly added 11 hospitals, 7 other medical institutions and 22 distributors to its customer base. As at the date of this announcement, the Group has a customer base of 5,267 (including 3,120 hospitals, 414 blood stations, 636 other medical units and 1,097 distributors).

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

TURNOVER BY GEOGRAPHICAL SEGMENTS

Regions	2015		2014		Growth
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>%</i>
Eastern and Central	1,233,591	42.9	1,063,094	41.8	16.0
Northern	603,910	21.0	541,667	21.3	11.5
Northeast	310,588	10.8	287,588	11.3	8.0
Southern	242,338	8.4	247,986	9.7	(2.3)
Southwest	261,271	9.1	220,342	8.7	18.6
Northwest	89,202	3.1	78,476	3.1	13.7
Overseas	135,984	4.7	105,412	4.1	29.0
Total	<u>2,876,884</u>	<u>100.0</u>	<u>2,544,565</u>	<u>100.0</u>	<u>13.1</u>

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 increased by approximately 11.6% 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 Period. During the Period, the Group focused on sales and marketing of high value added products such as needle products and specialised infusion sets. It had increased the proportion of sales generated from high value-added products. Comparison of sales revenue of principal products with that in last year is as follows:

Product category	For the six months ended 30 June		
	2015	2014	Over corresponding period
	<i>RMB'000</i>	<i>RMB'000</i>	%
Single-use consumables			
Infusion sets	766,140	695,036	10.2
Needles	412,688	377,873	9.2
Syringes	334,283	319,255	4.7
Pre-filled syringes	165,784	138,120	20.0
Blood bags	160,454	124,762	28.6
Wound management	45,136	45,967	(1.8)
Blood sampling products	34,405	40,667	(15.4)
PVC granules	27,077	23,720	14.2
Other consumables	178,927	162,977	9.8
Subtotal for single-use consumables	2,124,894	1,928,377	10.2
Orthopaedic products	355,972	300,281	18.5
Blood purification consumables	322,143	262,289	22.8
Blood purification equipments	73,875	53,618	37.8
Total	2,876,884	2,544,565	13.1

HUMAN RESOURCES

As at 30 June 2015, the Group employed a total of 10,398 employees. The breakdown by departments when compared with last year is as follows:

Department	As at 30 June 2015	As at 31 December 2014
Production	6,298	5,938
Sales and marketing	2,378	2,267
Research and development	993	985
Finance and administration	416	372
Quality control	164	147
Management	117	93
Purchasing	32	45
Total	<u>10,398</u>	<u>9,847</u>

Save for the 4 employees (including the company secretary) who are resided in Hong Kong and Europe, other employees of the Group are resided in Mainland China. During the Period, total costs of staff salaries, welfare and social benefits of the Group amounted to approximately RMB483,174,000 (same period in 2014: approximately RMB406,132,000).

Remuneration System

The Group's remuneration policy has been determined based on its performance, 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 six months ended 30 June 2015, the Group recorded a turnover of approximately RMB2,876,884,000, representing an increase of 13.1% over the same period last year, and net profit attributable to shareholders was approximately RMB584,374,000, representing an increase of approximately 23.6% as compared with approximately RMB472,901,000 for the same period last year. Net profit attributable to owners of the Company excluding extraordinary items was approximately RMB581,437,000 (same period in 2014: approximately RMB477,131,000), representing an increase of approximately 21.9% over the same period of the previous year.

Liquidity and Financial Resources

The Group has maintained a sound financial position. As at 30 June 2015, the Group's cash and bank balance amounted to approximately RMB3,171,013,000. For the six months ended 30 June 2015, net cash flow from operating activities of the Group amounted to approximately RMB257,113,000. The Group has maintained a sound cash flow position.

For the six months ended 30 June 2015, total interest expenses of the Group were approximately RMB8,590,000 (same period in 2014: approximately RMB9,754,000).

Gearing Ratio

As at 30 June 2015, the Group had an unaudited net cash position of approximately RMB2,141,613,000 (same period last year: RMB2,561,934,000) and the gearing ratio of the Group was 9.9% (same period last year: 2.9%), calculated on the basis of the Group's net borrowings after deducting cash and bank balances over the Group's shareholders' fund. Change in gearing ratio was mainly due the IFC loan amount of RMB600 million was drawn down in June 2015.

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 six months ended 30 June 2015, the Group had not encountered any material difficulty due to currency fluctuation nor had it affected its funds for operation purpose. For the six months ended 30 June 2015, the Group had no significant exposure to foreign exchange fluctuation nor hedging for such risk.

Due to the change in exchange rates, foreign exchange gain equivalent to RMB188,000 (same period in 2014: foreign exchange loss equivalent to RMB5,459,000) for the six months ended 30 June 2015 was recognized by the Company.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2015.

Material Investments in Subsidiaries/Future Material Investment Plans

1. During the Period, the Group invested RMB336,065,000 on construction and equipment investment to expand its production capacity.
2. The fourth blood dialyzer production line was expected to be put into operation by the end of the year with additional capacity of 4,000,000 pieces. Weigao BP is scheduled to invest in the fifth and sixth production lines with additional yearly capacity of a total 8,000,000 pieces in 2016. It is expected that the imported production lines will be in place in 2017.
3. The Group invested RMB120,000,000 in production capacity expansion of pre-filled syringes and planned to complete the installation of two production lines during the year, with additional capacity of 36,000,000 pieces.

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 30 June 2015, and there was no material acquisition and disposal in any other subsidiaries and associates since the beginning of this year.

Capital Commitment

As at 30 June 2015, the capital commitment that the Group and the Company had contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment amounted to approximately RMB492,095,000 (same period in 2014: approximately RMB494,259,000).

Review and Outlook

During the Period, through proactive implementation of the product positioning of safety infusion and injection concepts, formulated in the beginning of the year, the Company launched marketing activities to promote brand image and adopted real time sales strategy of sales team and motivated the sales team by taking initiative. In facing the slowing down industry growth in the infusion sets and syringes segments, the Company sustained sales growth of its high-end products and reversed the declining trend of intravenous catheter needles at the same time. The core businesses of dialyzers and dialysis equipment continued to maintain a good growth momentum. Management enhancement launched by the Company partly offset the adverse impact on plant relocation cost. However, because of the realignment of the suture sales team and the upgrade of the production from glass based to plastic based blood sampling products, these affected the sales of wound management and blood sampling products respectively.

Looking forward, the Company believes that, in facing rapid development of healthcare industry, changes in healthcare industry policies and intensifying competition from industry players, the Group will place emphasis on the followings:

1. Continue to intensify efforts in research and development of new products, such as irradiation sterilization product series, infusion sets and new specification of IV catheters. Besides, the Company continues to upgrade existing product functionality, extend product lines to facilitate the product sales mix adjustment and enhance product competitiveness in the market.
2. To strengthen efforts in product positioning, planning capability and professional training to customers. The Company also continues to promote safety infusion and injection concepts and training programs for chief hospital administrators and nurses, enhancing the recognition of Weigao brand and thereby consolidate and expand market share. Intensify efforts in launching and marketing activities of new model of dialysis equipment and joints products.
3. Continue to increase efforts in technology improvement, and increase the level of automation with an objective of assimilating the pressure from rising costs in factory relocation and labour costs and enhance the market competitiveness of our products.
4. Introduce technology by ways of joint ventures, co-operation, technology transfer, acquisitions and mergers and to further expand product categories to consolidate the competitive advantages of various product lines of the Group.
5. To complete the first batch of employee share award scheme to align management and employee interests with the interest of the Group, and thereby ensuring the achievement of development strategies and operating goals of the Group.

With the launching of more upgraded products and new product series, enhancement in marketing capabilities and adjustment in sales strategy, 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.

INTERIM DIVIDEND

The Board of Directors (the “Board”) recommended the distribution of an interim dividend of RMB0.039 (same period in 2014: RMB0.031) per share for the six months ended 30 June 2015. Such proposal is subject to the approval by the shareholders of the Company (the “Shareholders”) at the forthcoming extraordinary general meeting (the “Extraordinary General Meeting”). The Company will further announce details relating to the proposed interim dividend, including the date of the Extraordinary General Meeting and the period of closure of register of members of the Company for determining the attendance of the Extraordinary General Meeting and entitlement to the proposed interim dividend in due course.

DISCLOSURE OF INTERESTS

Directors’ Interests and Long Positions in Shares

As at 30 June 2015, the interests of Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(1) Long positions in non-listed shares of RMB0.10 each of the Company:

Name of Director	Types of interests	Capacity	Total number of non-listed shares	Approximate percentage of the issued share capital of the Company
Mr. Zhang Hua Wei	Personal	Beneficial owner	32,400,000	0.72%
Mr. Wang Yi	Personal	Beneficial owner	23,400,000	0.52%
Mrs. Zhou Shu Hua	Personal	Beneficial owner	15,300,000	0.34%

In addition, Mr. Chen Lin, son of Mr. Chen Xue Li, the Chairman, is the holder of the Company’s 200,000 non-listed shares, representing 0.004% of the issued share capital of the Company.

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

Name of director	Capacity	Amount of registered capital	Approximate percentage of the registered capital of Weigao Holding
Weihai Weigao International Medical Investment Holding Company Limited* (<i>Note</i>)	Registered owner	1,078,000,000	89.83%
Mr. Chen Xue Li	Beneficial owner	69,540,000	5.79%
Mr. Zhang Hua Wei	Beneficial owner	21,960,000	1.83%
Mrs. Zhou Shu Hua	Beneficial owner	12,200,000	1.02%
Mr. Wang Yi	Beneficial owner	4,880,000	0.41%

Note: 威海威高國際醫療投資控股有限公司 (Weihai Weigao International Medical Investment Holding Company Limited*) is owned as to 61.87% by Mr. Chen Xue Li, 15.96% by Mr. Zhang Hua Wei, 8.87% by Mrs. Zhou Shu Hua, 3.55% by Mr. Wang Yi and 7.09% by Mr. Chen Lin.

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at the date of this announcement.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance had recorded that other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of their relevant interest in the non-listed shares of the issued share capital of the Company.

Name of Shareholder	Capacity	Number of non-listed shares	Number of H shares	Approximate percentage of the Company's non-listed shares	Approximate percentage of the Company's total issued share capital
Weigao Holding Company Limited	Beneficial owner	2,159,755,676	—	83.3%	48.2%

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

Names of Substantial Shareholders	Number of H shares interested	Percentage of issued H share capital
JP Morgan Chase & Co.	186,742,679 (L)	9.91 (S)
	840,000 (P)	0.04 (L)
	156,994,020 (S)	8.33 (P)
Joho Partners L.P.	133,295,038 (L)	7.08 (L)
Karr Robert A.	133,295,038 (L)	7.08 (L)
Schroders Plc	132,025,481 (L)	7.01 (L)
Invesco Asset Management Limited	114,117,583 (L)	6.06 (L)
BlackRock, Inc.	105,610,664 (L)	5.61 (L)
	1,960,000 (S)	0.10 (S)

Note: (L) – Long Position, (S) – Short Position, (P) – Lending Pool

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2015, the largest supplier of the Group and the other four largest suppliers accounted for 7.1% and 15.5% respectively of the Group's total purchases.

For the six months ended 30 June 2015, the largest customer of the Group and the other four largest customers accounted for 1.5% and 2.9% respectively of the Group's total sales.

At no time during the Period did a director, an associate of a director or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the five largest customers or suppliers.

CORPORATE GOVERNANCE

The Board of Directors of the Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability and is committed to the maintenance of good corporate governance practices and procedures.

During the Period, the Company has also applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices and Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”), except for the deviation that Code Provision A4.1 which stipulates that non-executive directors should be appointed for a specific term. Independent non-executive directors do not have a specific term of appointment, but subject to retirement by rotation and re-election at the annual general meeting.

Board of Directors

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of overall business strategies, internal control and risk management systems, and monitoring the performance of the senior management. The management is responsible for the daily operations of the Group under the leadership of the chief executive officer. The Directors have the responsibility to act objectively in the interests of the Company.

Currently, the Board comprises 10 Directors, including four executive Directors, two non-executive Directors and four independent non-executive Directors.

To comply with Rule 3.10(1) of the Listing Rules, the Board currently comprises four independent non-executive Directors who are independent under the independence criteria and are capable to effectively exercise independent judgment. Amongst the four independent non-executive Directors, Mr. Lo Wai Hung has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

Compliance with the Model Code for Directors’ Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by Directors. The Company has made enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors’ securities transactions.

Internal Control

Directors are responsible for reviewing the internal control and risk management system of the Company periodically to ensure its effectiveness and efficiency. With the support of the internal audit department, they will review the practices, procedures, expenditure and internal control of the Company and its subsidiaries on a regular basis. The management will regularly monitor the concerns as reported by the internal audit department to ensure appropriate remedial measures have been implemented. The Board or senior management can also request the internal audit group to review the specific scope of concerns and report the significant findings of such review to the Board and the audit committee.

The Board has conducted a review of the effectiveness of the system of internal control of the Group.

Audit Committee

The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Company. The Audit Committee comprises 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. Mr. Lo Wai Hung is the chairman of the Committee.

The Company's financial statements for the six months ended 30 June 2015 have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and other laws, and adequate disclosures have been made.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the reporting Period.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Period was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS

So far as the Directors are aware, for the six months ended 30 June 2015, none of the Directors or management shareholders of the Company (as defined in the Listing Rules) or their respective associates have an interest in a business which competes or may compete with the business of the Group, or have any other conflict of interest with the Group.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 June 2015 have been reviewed by the Audit Committee.

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

19 August 2015

Weihai, Shandong, the PRC

As at the date of this announcement, the Board comprises Executive Directors, namely Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Gong Jian Bo and Mr. Xia Lie Bo, and Non-executive Directors, namely Mr. Chen Xue Li and Mrs. Zhou Shu Hua, and Independent Non-executive Directors, namely Mr. Lo Wai Hung, Mr. Li Jia Miao, Mrs. Fu Ming Zhong and Mrs. Wang Jin Xia.