

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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

SUMMARY

For the year ended 31 December 2020 (the “Year”), the revenue of Shandong Weigao Group Medical Polymer Company Limited (the “Company” and together with its subsidiaries, the “Group”) was approximately RMB11,345,252,000 (2019: approximately RMB10,383,885,000), representing an increase of 9.3% over the previous year. Net profit attributable to the owners of the Company was approximately RMB2,030,137,000 (2019: approximately RMB1,849,936,000), representing an increase of 9.7% over the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB2,030,137,000 (2019: approximately RMB1,928,445,000), representing an increase of 5.3% over the previous year. During the Year, there was no extraordinary items (extraordinary items in 2019: the one-off loan swap expenses of RMB78,509,000 of Argon Medical Devices Holdings, Inc. (“Argon”)).

The Directors recommended the payment of a final dividend of RMB0.068 (2019: RMB0.061) per share, which is subject to the approval by the shareholders of the Company (“Shareholders”) at the forthcoming general meeting.

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

| | <i>NOTES</i> | Year ended 31/12/2020 RMB'000 | Year ended 31/12/2019 RMB'000 (restated) |
|--|--------------|--|---|
| Revenue | 4 | 11,345,252 | 10,383,885 |
| Cost of sales | | <u>(4,887,962)</u> | <u>(3,870,025)</u> |
| Gross profit | | 6,457,290 | 6,513,860 |
| Other income, gains and losses | 5 | 312,480 | 247,387 |
| Impairment losses under expected credit loss model, net of reversal | | (35,244) | (16,163) |
| Selling and distribution expense | | (2,635,706) | (2,782,291) |
| Administrative expenses | | (1,021,623) | (987,209) |
| Research and development expenses | | (411,404) | (406,363) |
| Finance costs | 6 | (178,935) | (397,948) |
| Share of profit of an associate | | <u>9,171</u> | <u>81,097</u> |
| Profit before tax | | 2,496,029 | 2,252,370 |
| Income tax expense | 7 | <u>(345,638)</u> | <u>(327,137)</u> |
| Profit for the year | 8 | <u>2,150,391</u> | <u>1,925,233</u> |
| Other comprehensive income | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | <u>(231,998)</u> | <u>27,041</u> |
| Total comprehensive income for the year | | <u><u>1,918,393</u></u> | <u><u>1,952,274</u></u> |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

| | Year ended 31/12/2020 | Year ended 31/12/2019 |
|---|----------------------------------|------------------------------|
| <i>NOTES</i> | <i>RMB'000</i> | <i>RMB'000</i> (restated) |
| Profit for the year attributable to owners of the Company | <u>2,030,137</u> | <u>1,849,936</u> |
| Profit for the year attributable to non- controlling interests | <u>120,254</u> | <u>75,297</u> |
| | <u>2,150,391</u> | <u>1,925,233</u> |
| Total comprehensive income for the year attributable to: | | |
| Owners of the Company | <u>1,818,336</u> | 1,874,466 |
| Non-controlling interests | <u>100,057</u> | <u>77,808</u> |
| | <u>1,918,393</u> | <u>1,952,274</u> |
| Earnings per share | <i>10</i> | |
| Basic (RMB per share) | <u>0.45</u> | <u>0.41</u> |
| Diluted (RMB per share) | <u>0.45</u> | <u>0.41</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

| | <i>NOTES</i> | 31/12/2020 RMB'000 | 31/12/2019 <i>RMB'000</i> (restated) |
|--|--------------|-------------------------------------|--|
| Non-current assets | | | |
| Property, plant and equipment | | 5,333,298 | 5,004,214 |
| Right-of-use assets | | 435,512 | 416,811 |
| Investment properties | | 136,710 | 159,650 |
| Goodwill | | 3,195,785 | 3,398,885 |
| Deposits paid for acquiring property, plant and equipment | | 300,903 | 143,069 |
| Intangible assets | | 1,959,616 | 2,266,932 |
| Interests in an associate | | 1,068,912 | 1,056,416 |
| Interests in a joint venture | | 154,000 | – |
| Financial assets at fair value through profit or loss | | 108,420 | 410,326 |
| Deferred tax assets | | 140,058 | 101,018 |
| Finance lease receivables | | 84,969 | 153,026 |
| Loan receivables | | 213,101 | 627,727 |
| Prepayments | | 88,170 | – |
| | | 13,219,454 | 13,738,074 |
| Current assets | | | |
| Inventories | <i>11</i> | 1,504,126 | 1,246,088 |
| Loan receivables | | 232,873 | 1,501,502 |
| Trade and other receivables | <i>12</i> | 5,927,876 | 4,718,894 |
| Debt instruments at fair value through other comprehensive income | | 469,610 | 427,359 |
| Finance lease receivables | | 136,270 | 156,753 |
| Pledged bank deposits | <i>13</i> | 340,129 | 321,923 |
| Bank balances and cash | <i>14</i> | 5,514,331 | 4,242,278 |
| | | 14,125,215 | 12,614,797 |
| Current liabilities | | | |
| Financial liabilities at fair value through profit or loss | | 21,031 | – |
| Trade and other payables | <i>15</i> | 3,759,169 | 3,267,426 |
| Contract liabilities | | 279,140 | 120,334 |
| Borrowings | | 297,890 | 914,247 |
| Tax payable | | 125,742 | 123,570 |
| Deferred income | | 7,861 | 6,413 |
| Loans from the ultimate holding company | | – | 143,982 |
| Lease liabilities | | 8,583 | 7,062 |
| | | 4,499,416 | 4,583,034 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 31 DECEMBER 2020

| | 31/12/2020 <i>RMB'000</i> | 31/12/2019 <i>RMB'000</i> (restated) |
|---|------------------------------|--|
| Net Current Assets | <u>9,625,799</u> | <u>8,031,763</u> |
| Total Assets less Current Liabilities | <u>22,845,253</u> | <u>21,769,837</u> |
| Capital and Reserves | | |
| Share capital | 452,233 | 452,233 |
| Reserves | <u>17,093,113</u> | <u>15,728,267</u> |
| Equity attributable to owners of the Company | 17,545,346 | 16,180,500 |
| Non-controlling interests | <u>845,108</u> | <u>811,436</u> |
| Total Equity | <u>18,390,454</u> | <u>16,991,936</u> |
| Non-current Liabilities | | |
| Financial liabilities at fair value through profit or loss | 64,847 | – |
| Borrowings | 3,001,289 | 4,434,984 |
| Bonds payable | 991,121 | – |
| Other payable | 37,125 | – |
| Deferred income | 70,898 | 45,851 |
| Deferred tax liabilities | 267,404 | 278,417 |
| Lease liabilities | <u>22,115</u> | <u>18,649</u> |
| | <u>4,454,799</u> | <u>4,777,901</u> |
| | <u>22,845,253</u> | <u>21,769,837</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

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 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate and ultimate holding company is Weigao Holding Company Limited (“Weigao Holding”), a company registered in the PRC with limited liability. Its ultimate controlling party is Chen Xue Li. The address of the registered office and principal place of business of the Company is No. 18, Xing Shan Road, Weihai, Shandong Province, PRC.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the research and development, production and sale of medical device products, orthopaedic products, interventional products, pharma packaging products and blood management products, and operate financing business.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

| | |
|--|--------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and the related Amendments ¹ |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions ⁴ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ² |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 ⁵ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKAS 1, | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹ |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use ² |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ² |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 ² |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the research and development, production and sale of medical device products, orthopaedic products, interventional products, pharma packaging products, blood management products, and operates financing business.

For management purposes, the Group is currently organised into six operating divisions – medical device products, orthopaedic products, interventional products, pharma packaging products, blood management products and others, among which interventional products were produced by Argon. 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 and reportable segments are as follows:

| | |
|---------------------------|---|
| Medical device products | – production and sale of clinical care, wound management, medical testing, anesthesia and surgical related products and other consumables |
| Orthopaedic products | – production and sale of orthopaedic products |
| Interventional products | – production and sale of tumour and blood vessel interventional instruments |
| Pharma packaging products | – production and sale of pre-filled syringes and flushing syringes |
| Blood management products | – production and sale of blood collection, storage, separation and sterilization products |
| Others | – finance lease and factoring business |

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2020

| | Medical device products <i>RMB'000</i> | Orthopaedic products <i>RMB'000</i> | Interventional products <i>RMB'000</i> | Pharma packaging products <i>RMB'000</i> | Blood management products <i>RMB'000</i> | Others <i>RMB'000</i> | Eliminations <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|---|--|---|---|--------------------------|--------------------------------|-------------------------|
| Revenue | | | | | | | | |
| External sales | 5,990,009 | 1,747,774 | 1,370,156 | 1,693,798 | 543,515 | - | - | 11,345,252 |
| Inter-segment sales | 639 | 5,827 | 2,602 | - | - | - | (9,068) | - |
| Total | <u>5,990,648</u> | <u>1,753,601</u> | <u>1,372,758</u> | <u>1,693,798</u> | <u>543,515</u> | <u>-</u> | <u>(9,068)</u> | <u>11,345,252</u> |
| Segment profit | <u>1,070,702</u> | <u>529,239</u> | <u>26,443</u> | <u>554,729</u> | <u>74,292</u> | <u>64,309</u> | <u>-</u> | <u>2,319,714</u> |
| Depreciation of investment properties | | | | | | | | (6,276) |
| Unallocated other income, gains and losses | | | | | | | | (46,957) |
| Rental income of investment properties | | | | | | | | 13,409 |
| Interest income from bank deposits | | | | | | | | 45,689 |
| Loss from changes in fair value of financial instruments at FVTPL | | | | | | | | (84,364) |
| Gain on disposal of financial assets at FVTPL | | | | | | | | 29,809 |
| Gain on release of escrow account | | | | | | | | 98,542 |
| Gain on novation of the Contracts | | | | | | | | 117,292 |
| Share of profit of an associate | | | | | | | | 9,171 |
| Profit before tax | | | | | | | | <u>2,496,029</u> |

For the year ended 31 December 2019

| | Medical device products <i>RMB'000</i> (restated) | Orthopaedic products <i>RMB'000</i> | Interventional products <i>RMB'000</i> | Pharma packaging products <i>RMB'000</i> | Blood management products <i>RMB'000</i> | Others <i>RMB'000</i> | Eliminations <i>RMB'000</i> (restated) | Total <i>RMB'000</i> (restated) |
|---|---|---|--|---|---|--------------------------|--|---------------------------------------|
| Revenue | | | | | | | | |
| External sales | 5,656,074 | 1,555,556 | 1,433,360 | 1,281,038 | 457,857 | - | - | 10,383,885 |
| Inter-segment sales | 250 | 27,763 | 42 | - | - | - | (28,055) | - |
| Total | <u>5,656,324</u> | <u>1,583,319</u> | <u>1,433,402</u> | <u>1,281,038</u> | <u>457,857</u> | <u>-</u> | <u>(28,055)</u> | <u>10,383,885</u> |
| Segment profit | <u>1,106,117</u> | <u>510,902</u> | <u>(79,334)</u> | <u>471,151</u> | <u>62,639</u> | <u>66,853</u> | <u>-</u> | <u>2,138,328</u> |
| Depreciation of investment properties | | | | | | | | (7,037) |
| Unallocated other income, gains and losses | | | | | | | | (36,416) |
| Rental income of investment properties | | | | | | | | 17,076 |
| Interest income from bank deposits | | | | | | | | 37,878 |
| Gain from changes in fair value of financial assets at FVTPL | | | | | | | | 21,444 |
| Share of profit of an associate | | | | | | | | <u>81,097</u> |
| Profit before tax | | | | | | | | <u>2,252,370</u> |

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 depreciation and rental income of investment properties, other income, gains and losses of the corporate function, interest income from bank, gain and loss from changes in fair value of financial assets at FVTPL, gain on disposal of financial assets at FVTPL, gain on release of escrow account, gain on novation of the Contracts and share of profit of an associate. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

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

Segment assets

| | 31/12/2020 <i>RMB'000</i> | 31/12/2019 <i>RMB'000</i> (restated) |
|------------------------------|------------------------------|--|
| Medical device products | 9,432,657 | 10,041,064 |
| Orthopaedic products | 1,644,776 | 1,466,090 |
| Interventional products | 5,641,033 | 6,053,777 |
| Pharma packaging products | 1,903,253 | 873,260 |
| Blood management products | 408,098 | 406,700 |
| Others | <u>852,292</u> | <u>1,220,369</u> |
| Total segment assets | 19,882,109 | 20,061,260 |
| Financial assets at FVTPL | 108,420 | 410,326 |
| Interests in an associate | 1,068,912 | 1,056,416 |
| Interests in a joint venture | 154,000 | – |
| Investment properties | 136,710 | 159,650 |
| Deferred tax assets | 140,058 | 101,018 |
| Pledged bank deposits | 340,129 | 321,923 |
| Bank balances and cash | <u>5,514,331</u> | <u>4,242,278</u> |
| Consolidated assets | <u><u>27,344,669</u></u> | <u><u>26,352,871</u></u> |

Segment liabilities

| | 31/12/2020 <i>RMB'000</i> | 31/12/2019 <i>RMB'000</i> (restated) |
|--------------------------------|------------------------------|--|
| Medical device products | 4,742,677 | 5,048,097 |
| Orthopaedic products | 705,248 | 620,370 |
| Interventional products | 2,690,191 | 2,925,459 |
| Pharma packaging products | 213,557 | 151,270 |
| Blood management products | 115,332 | 142,954 |
| Others | <u>84,428</u> | <u>194,368</u> |
| Total segment liabilities | 8,551,433 | 9,082,518 |
| Deferred tax liabilities | 267,404 | 278,417 |
| Financial liabilities at FVTPL | 85,878 | – |
| Other payables | <u>49,500</u> | <u>–</u> |
| Consolidated liabilities | <u><u>8,954,215</u></u> | <u><u>9,360,935</u></u> |

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

- all assets are allocated to operating segments other than financial assets at FVTPL, interests in an associate, interest in a joint venture, investment properties, deferred tax assets, pledged bank deposits, bank balances and cash.
- all liabilities are allocated to operating segments other than deferred tax liabilities, financial liabilities at FVTPL and part of other payables.

Other segment information

For the year ended 31 December 2020

| | Medical device products <i>RMB'000</i> | Orthopaedic products <i>RMB'000</i> | Interventional products <i>RMB'000</i> | Pharma packaging products <i>RMB'000</i> | Blood management products <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|---|--|---|---|--------------------------|-------------------------|
| Amounts included in the measure of segment profit or segment assets: | | | | | | | |
| Additions to property, plant and equipment | 512,262 | 199,362 | 40,191 | 32,160 | 7,169 | - | 791,144 |
| Allowances for credit losses | 17,630 | 4,321 | 4,784 | 7,314 | - | 1,195 | 35,244 |
| Allowances for inventories | 16 | 9,006 | 1,430 | - | - | - | 10,452 |
| Allowances for property, plant and equipment | - | 2,571 | - | - | - | - | 2,571 |
| Allowances for intangible assets | - | - | 4,295 | - | - | - | 4,295 |
| Amortisation of intangible assets | 1,052 | 3,353 | 240,221 | - | - | - | 244,626 |
| Depreciation of property, plant and equipment | 221,649 | 111,788 | 15,225 | 55,351 | 14,912 | 177 | 419,102 |
| Depreciation of right-of-use assets | 17,018 | - | 3,672 | - | - | - | 20,690 |
| Gain on disposal of property, plant and equipment | (1,389) | (288) | - | - | - | - | (1,677) |
| Research and development expenditure | 256,023 | 84,878 | 14,754 | 33,496 | 22,253 | - | 411,404 |
| Share-based payment expenses | 6,992 | 6,958 | 15,801 | 627 | 284 | - | 30,662 |
| Government grants | (15,694) | (1,138) | - | (2,792) | (336) | (106) | (20,066) |
| Rebate of value added tax ("VAT") | (77,065) | - | - | - | - | (4,609) | (81,674) |

For the year ended 31 December 2019

| | Medical device products <i>RMB'000</i> (restated) | Orthopaedic products <i>RMB'000</i> | Interventional products <i>RMB'000</i> | Pharma packaging products <i>RMB'000</i> | Blood management products <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> (restated) |
|--|---|---|--|---|---|--------------------------|---------------------------------------|
| Amounts included in the measure of segment profit or segment assets: | | | | | | | |
| Additions to property, plant and equipment | 725,489 | 89,491 | 44,789 | 74,488 | 12,458 | – | 946,715 |
| Allowances for credit losses | 1,697 | 12,188 | 1,425 | – | – | 853 | 16,163 |
| Allowances for inventories | 126 | 24,893 | – | – | – | – | 25,019 |
| Allowances for property, plant and equipment | – | 5,891 | – | – | – | – | 5,891 |
| Amortisation of intangible assets | – | 4,435 | 236,697 | – | 75 | – | 241,207 |
| Depreciation of property, plant and equipment | 189,813 | 81,485 | 12,936 | 49,088 | 14,169 | 198 | 347,689 |
| Depreciation of right-of-use assets | 14,769 | – | 4,258 | – | – | – | 19,027 |
| Loss/(Gain) on disposal of property, plant and equipment | 1,087 | (17) | 2,510 | – | – | – | 3,580 |
| Research and development expenditure | 279,089 | 71,848 | 14,242 | 23,940 | 17,244 | – | 406,363 |
| Share-based payment expenses | 12,220 | – | 20,965 | 1,023 | 1,594 | – | 35,802 |
| Government grants | (4,897) | (6,439) | – | (2,514) | (335) | – | (14,185) |
| Rebate of value added tax (“VAT”) | (79,288) | – | – | – | – | (3,620) | (82,908) |

Revenue from major products and services

The following is an analysis of the Group’s revenue from its major products and services.

| | Year ended 31/12/2020 <i>RMB'000</i> | Year ended 31/12/2019 <i>RMB'000</i> (restated) |
|--|---|--|
| Sale of medical device products | | |
| – Clinical care | 4,267,450 | 4,255,669 |
| – Wound management | 346,590 | 369,693 |
| – Anesthesia and surgical related products | 193,051 | 149,551 |
| – Medical testing | 275,780 | 191,477 |
| – Other consumables | 665,711 | 467,458 |
| Sale of orthopaedic products | 1,747,774 | 1,555,556 |
| Sale of interventional products | 1,611,583 | 1,655,586 |
| Sale of pharma packaging products | 1,693,798 | 1,281,038 |
| Sale of blood management products | 543,515 | 457,857 |
| | <u>11,345,252</u> | <u>10,383,885</u> |

Information about major customers

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

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

| | Revenue from external customers | | Non-current assets | |
|------------------------------------|--|--|------------------------------|--|
| | Year ended 31/12/2020 <i>RMB'000</i> | 31/12/2019 <i>RMB'000</i> (restated) | 31/12/2020 <i>RMB'000</i> | 31/12/2019 <i>RMB'000</i> (restated) |
| PRC | 9,131,870 | 8,508,017 | 8,227,946 | 8,199,933 |
| United States | 914,265 | 918,454 | 4,950,681 | 5,536,443 |
| Europe, the Middle East and Africa | 485,502 | 425,605 | 29,660 | 1,617 |
| Other districts | 813,615 | 531,809 | 11,167 | 81 |
| | <u>11,345,252</u> | <u>10,383,885</u> | <u>13,219,454</u> | <u>13,738,074</u> |

Transaction price allocated to the remaining performance obligation for contracts with customers

As a practical expedient of HKFRS 15 Revenue from contracts with customers, the Group need not disclose the transaction price allocated to these unsatisfied contracts with customers that has an original expected duration of one year or less.

5. OTHER INCOME, GAINS AND LOSSES

| | Year ended 31/12/2020 RMB'000 | Year ended 31/12/2019 RMB'000 (restated) |
|--|-------------------------------------|---|
| Other income: | | |
| Rebate of VAT (<i>note a</i>) | 81,674 | 82,908 |
| Government grants (<i>note b</i>) | 20,066 | 14,185 |
| Operating rental income | 13,409 | 17,076 |
| Finance lease income | 20,627 | 44,738 |
| Interest income from bank deposits | 45,689 | 37,878 |
| Interest income from factoring business | 17,854 | 26,372 |
| Interest income from loan receivables | 50,702 | 65,099 |
| | <u>250,021</u> | <u>288,256</u> |
| Other gains and losses: | | |
| Impairment losses on intangible assets | (4,295) | – |
| Impairment losses on inventories | (10,452) | (25,019) |
| Impairment losses on property, plant and equipment | (2,571) | (5,891) |
| Net exchange (loss)/gain | (40,081) | 7,176 |
| Gain/(Loss) on disposal of property, plant and equipment | 1,677 | (3,580) |
| Loss on disposal of investments in a subsidiary | – | (50) |
| Gain on deemed disposal of investments in an associate | 3,325 | 4,573 |
| (Loss)/gain from changes in fair value of financial instruments at FVTPL | (84,364) | 21,444 |
| Gain on disposal of financial assets at FVTPL | 29,809 | – |
| Donation paid | (46,390) | (36,962) |
| Loss on Structured Cross Currency Swap | (16,322) | (3,106) |
| Gain from early repayment of an interest-free loan from an associate of the Company (<i>note c</i>) | 16,856 | – |
| Gain on release of escrow account | 98,542 | – |
| Gain on novation of the Contracts (<i>note d</i>) | 117,292 | – |
| Others | (567) | 546 |
| | <u>62,459</u> | <u>(40,869)</u> |
| | <u><u>312,480</u></u> | <u><u>247,387</u></u> |

Notes:

- (a) As Weihai Jierui Medical Products Company Limited (“Jierui”), one of the subsidiary of the Company, was recognised as a “Social Welfare Entity”, the Tax Bureau in Weihai granted a rebate of VAT paid by Jierui with effect from 1 May 1999 on the basis of “payment first then rebate”. Pursuant to Caishui [2016] No.52 issued by the State Council, with effect from 1 May 2016, Jierui was granted a rebate of VAT determined with reference to the number of staff with physical disability. For each staff with physical disability, four times of the minimum salary approved by the local government in Weihai is granted to Jierui as rebate of VAT.

Pursuant to Caishui [2016] No.36, Weigao Financial Leasing Co., Ltd., one of the subsidiary of the Company, is entitled to immediate tax rebates upon collection when the actual VAT tax burden rate exceeds 3%.

- (b) During the year, government grants were awarded to the Group mainly for business development and certain research and development expenses occurred and were recognised as other income when the government grants were received. There were no unfulfilled conditions in the year in which they were recognised.
- (c) During the year ended 31 December 2020, Weihai Weigao Blood Purification Products Company (“Weigao Blood Purification”), the associate of the Company, early repaid the interest-free loan. The gain on early repayment of the loan receivable, amounting to RMB16,856,000, represents the difference between the carrying amount of the loan receivable derecognized and the consideration recovered.
- (d) During the year ended 31 December 2019, the Company commissioned NeuroVasc Technologies Inc. (“NeuroVasc”) for the design, research and development of medical devices under several contracts (the “Contracts”). On 29 December 2020, the Company and Weigao Holding agreed to the novation of the Contracts at a consideration of USD17,921,000 (equivalent to RMB117,292,000).

6. FINANCE COSTS

| | Year ended 31/12/2020 <i>RMB'000</i> | Year ended 31/12/2019 <i>RMB'000</i> (restated) |
|---|--|--|
| Interest on bank loans and other borrowings | 156,002 | 315,895 |
| Interest on bonds payable | 21,230 | – |
| Interest on early repayment of bank loans (<i>note</i>) | – | 79,831 |
| Interest on lease liabilities | 1,703 | 2,222 |
| | <u>178,935</u> | <u>397,948</u> |

Note:

During the year ended 31 December 2019, the Group early repaid the borrowings under First Lien Credit Agreement and Second Lien Credit Agreement. The interest on early repayment of bank loans, amounting to RMB79,831,000, represented the difference between the carrying amount of the borrowings derecognised and the consideration repaid.

7. INCOME TAX EXPENSE

| | Year ended 31/12/2020 <i>RMB'000</i> | Year ended 31/12/2019 <i>RMB'000</i> |
|---|--|--|
| Current enterprise income tax | 394,917 | 401,672 |
| Withholding income tax from dividend distribution | – | 16,200 |
| Over provision in prior years | (13,359) | (1,795) |
| Deferred tax | (35,920) | (88,940) |
| | <u>345,638</u> | <u>327,137</u> |

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% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The subsidiaries in the U.S. are subject to federal income tax at a tax rate of 21% and state income tax.

The Company, Weihai Jierui Medical Products Company Limited (“Jierui”), Shandong Weigao Orthopaedic Device Company Limited and Shandong Weigao Purui Pharmaceutical Packaging Co., Ltd were recognised as Shandong Province New and High Technical Enterprises (山東省高新技術企業) from the year 2020 to 2022. 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%.

Jierui has been recognised as a “Social Welfare Entity”. Pursuant to Caishui [2016] No. 52 issued by the State Council, with effect from 1 May 2016, Social Welfare Entity is subject to income tax rate of 15%, and an amount equivalent to the total salaries paid to staff with physical disability is further deducted from the taxable income of Jierui. The tax charge provided for the years ended 31 December 2020 and 2019 were made after taking these tax incentives into account.

8. PROFIT FOR THE YEAR

| | Year ended 31/12/2020 RMB'000 | Year ended 31/12/2019 RMB'000 (restated) |
|---|--|---|
| Profit for the year has been arrived at after charging and crediting: | | |
| Allowances for credit losses | 35,244 | 16,163 |
| Allowances for inventories | 10,452 | 25,019 |
| Allowances for property, plant and equipment | 2,571 | 5,891 |
| Allowances for intangible assets | 4,295 | – |
| Amortisation of intangible assets | 244,626 | 241,207 |
| Auditors' remuneration | 7,567 | 7,735 |
| Depreciation of property, plant and equipment | 419,102 | 347,689 |
| Depreciation of investment properties | 6,276 | 7,037 |
| Depreciation of right-of-use assets | 20,690 | 19,027 |
| Lease expenses related to short-term lease | 11,039 | 5,383 |
| Lease liabilities interest expense | 2,028 | 2,222 |
| Cost of inventories recognised as an expense | 4,887,962 | 3,870,025 |
| Staff costs, including directors' and supervisors' remuneration | | |
| – Retirement benefits scheme contributions | 92,515 | 109,914 |
| – Salaries and other allowances | 1,762,957 | 1,774,893 |
| – Share-based payment expenses | 30,662 | 35,802 |
| Total staff costs | <u>1,886,134</u> | <u>1,920,609</u> |
| (Gain)/loss on disposal of property, plant and equipment | <u>(1,677)</u> | <u>3,580</u> |

9. DIVIDENDS

| | Year ended 31/12/2020 RMB'000 | Year ended 31/12/2019 RMB'000 |
|--|--|-------------------------------------|
| Dividends recognised as distribution during the year: | | |
| 2020 Interim – RMB0.062 (2019: interim dividend – RMB0.059) per share | 280,385 | 266,817 |
| 2019 Final – RMB0.061 (2018: final dividend – RMB0.052) per share | 275,862 | 235,161 |
| Total | 556,247 | 501,978 |
| <i>Less:</i> distribution to the shares hold by the trustees under a share award scheme | 2,898 | 5,101 |
| | 553,349 | 496,877 |

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB0.068 (2019: RMB0.061) per share, amounting to RMB307,519,000 (2019: RMB275,862,000) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

| | Year ended 31/12/2020 RMB '000 | Year ended 31/12/2019 RMB '000 (restated) |
|--|---|--|
| Profit for the year attributable to owners of the Company | 2,030,137 | 1,849,936 |
| Earnings for the purpose of basic/diluted earnings per share | <u>2,030,137</u> | <u>1,849,936</u> |
| | Year ended 31/12/2020 '000 | Year ended 31/12/2019 '000 |
| Number of shares | | |
| Number of shares for the purpose of basic earnings per share | 4,489,196 | 4,476,372 |
| Effect of dilutive potential ordinary shares: | | |
| Incentive shares | <u>3,757</u> | <u>6,467</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>4,492,953</u> | <u>4,482,839</u> |

11. INVENTORIES

| | 31/12/2020 <i>RMB'000</i> | 31/12/2019 <i>RMB'000</i> (restated) |
|----------------|------------------------------|--|
| Raw materials | 284,299 | 250,865 |
| Finished goods | <u>1,219,827</u> | <u>995,223</u> |
| | <u>1,504,126</u> | <u>1,246,088</u> |

As at 31 December 2020, total net book value of inventories served as collateral for the Group's borrowing amounted to RMB221,224,000 (2019: RMB202,603,000).

12. TRADE AND OTHER RECEIVABLES

| | 31/12/2020 <i>RMB'000</i> | 31/12/2019 <i>RMB'000</i> (restated) |
|--|------------------------------|--|
| Trade receivables | 4,852,401 | 4,098,391 |
| <i>Less: Allowance for credit losses</i> | <u>(242,124)</u> | <u>(209,530)</u> |
| | 4,610,277 | 3,888,861 |
| Receivables from factoring business | 329,968 | 297,807 |
| <i>Less: Allowance for credit losses</i> | <u>(1,226)</u> | <u>(1,649)</u> |
| | 328,742 | 296,158 |
| Other receivables | 638,522 | 289,333 |
| <i>Less: Allowance for credit losses</i> | <u>(2,110)</u> | <u>(10,122)</u> |
| | 636,412 | 279,211 |
| Prepayments | <u>440,615</u> | <u>254,664</u> |
| | <u>6,016,046</u> | <u>4,718,894</u> |
| Analysed for reporting purposes as: | | |
| Current assets | 5,927,876 | 4,718,894 |
| Non-current assets | <u>88,170</u> | <u>–</u> |
| | <u>6,016,046</u> | <u>4,718,894</u> |

As at 31 December 2020, trade receivables from contracts with customers amounted to RMB4,852,401,000 (2019: RMB4,098,391,000 (restated)).

Included in trade receivables are an amount due from fellow subsidiaries of RMB1,097,918,000 (2019: RMB517,656,000 (restated)), an amount due from ultimate holding company of RMB110,000 (2019: RMB51,000 (restated)), and an amount due from an associate of RMB152,712,000 (2019: RMB147,021,000); and an amount due from an associate of the ultimate holding company of nil (2019: RMB34,000). The amounts are unsecured, interest-free and repayable on demand.

Included in receivables from factoring business are an amount due from fellow subsidiaries of RMB322,990,000 (2019: RMB257,000,000). The amounts are due in one year with effective interest rates ranging from 4.99% to 8.00% per annum (2019: 6.01% to 39.86% per annum).

Included in other receivables are an amount due from fellow subsidiaries of RMB53,465,000 (2019: RMB110,632,000 (restated)), an amount due from ultimate holding company of RMB435,554,000 (2019: RMB16,626,000), and an amount due from an associate of RMB7,416,000 (2019: RMB111,000). The amounts are unsecured and repayable on demand.

Included in prepayments are an amount paid to fellow subsidiaries of RMB27,891,000 (2019: RMB17,321,000 (restated)), and an amount paid to an associate of RMB971,000 (2019: nil).

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period.

| | 31/12/2020 | 31/12/2019 |
|-------------------|-------------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (restated) |
| 0 to 90 days | 2,350,875 | 1,932,233 |
| 91 to 180 days | 997,902 | 1,036,922 |
| 181 to 365 days | 773,449 | 599,862 |
| Over 365 days | 488,051 | 319,844 |
| | <hr/> | <hr/> |
| Trade receivables | <u>4,610,277</u> | <u>3,888,861</u> |

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,302,478,000 which are past due (2019: RMB969,884,000).

As at 31 December 2020, total net book value of trade and other receivables served as collateral for the Group's borrowing amounted to RMB167,839,000 (2019: RMB231,139,000).

13. PLEDGED BANK DEPOSITS

As at 31 December 2020, pledged bank balances represent deposits pledged to banks to secure trade facilities such as bills payable and letter of credit amounting to RMB340,129,000 (2019: RMB321,923,000).

The pledged bank balances carry fixed interest rates which range from 0.3% to 2.10% per annum as at 31 December 2020 (2019: 0.3% to 2.75% per annum).

14. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The deposits carry interest rates which range from nil to 4.125% per annum (2019: nil to 4.125% per annum).

As at 31 December 2020, bank balances included deposits of RMB194,941,656 (2019: RMB283,458,000), carrying interest rates which range from 1.495% to 4.125% per annum (2019: 0.35% to 4.125% per annum), in an associate of ultimate holding company.

As at 31 December 2020, bank balances and cash served as collateral for the Group's borrowing amounted to RMB274,431,000 (2019: RMB133,998,000).

15. TRADE AND OTHER PAYABLES

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

| | 31/12/2020 | 31/12/2019 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (restated) |
| 0 to 90 days | 1,022,948 | 589,882 |
| 91 to 180 days | 240,787 | 138,733 |
| 181 to 365 days | 103,766 | 36,204 |
| Over 365 days | 38,679 | 33,743 |
| | <hr/> | <hr/> |
| Trade payables | 1,406,180 | 798,562 |
| Bills payable | 341,349 | 339,300 |
| Other tax payables | 134,908 | 103,814 |
| Construction cost and retention payables | 90,430 | 96,767 |
| Selling expense payables | 818,530 | 953,572 |
| Other payables | 1,004,897 | 830,611 |
| Dividend payables | – | 144,800 |
| | <hr/> | <hr/> |
| | 3,796,294 | 3,267,426 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Analysed for reporting purposes as: | | |
| Current liabilities | 3,759,169 | 3,267,426 |
| Non-current liabilities | 37,125 | – |
| | <hr/> | <hr/> |
| | 3,796,294 | 3,267,426 |
| | <hr/> <hr/> | <hr/> <hr/> |

The normal credit period taken for trade purchases is 30 days to 180 days. All the bills payable will mature within six months.

Included in trade payables are an amount due to fellow subsidiaries of RMB440,395,000 (2019: RMB171,092,000 (restated)), an amount due to an associate of RMB83,218,000 (2019: RMB59,780,000), an amount due to ultimate holding company of RMB1,221,000 (2019: RMB2,947,000 (restated)). The amounts are unsecured, interest-free and repayable on demand.

Included in other payables are an amount due to fellow subsidiaries of RMB23,696,000 (2019: RMB22,190,000 (restated)), and an amount due to ultimate holding company of RMB27,803,000 (2019: RMB22,259,000 (restated)). The amounts are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimization of product mix

During the Year, the gross profit margin of the Group decreased from 62.7% of last year to 56.9%, mainly attributable to the effect from change of product structure.

The existing major products of the Group under each re-structured business lines are as follows:

Clinical care business includes vascular and non-vascular access infusion devices include infusion sets, syringes, puncture needles, specialized single-use clinical collection kits, digital products for clinical care, digestive nutrition, primary care products.

Wound management includes wound healing dressings, wound suture, wound cleaning and nonvascular catheter supporting extracorporeal devices.

Blood management business includes blood collection, storage, separation and sterilization consumables and equipment.

Pharma packaging business includes prefilled syringes and pre-filled flush syringes.

Medical testing business includes blood collection devices and blood glucose testing.

Anesthesia and surgery business includes general anesthesia consumables, local anesthesia consumables, anesthesia auxiliary consumables, ICU equipment, open and minimally invasive surgical equipment.

Orthopaedic business includes trauma, spinal implant, artificial joints, sports injury, soft tissue repair, reconstruction implant, orthopaedic filling, and orthopaedic related surgical tools.

Interventional business includes tumor intervention, vascular intervention and interventional imaging.

1. During the Year, the clinical care business recorded a turnover of approximately RMB4,267,450,000, an increase of 0.3% in revenue over last year. With an enhanced product mix, it has compensated for the reduced demand due to the restricted clinical business opening affected by the COVID-19. The Group continued to maintain a dominant position in the market segment.
2. During the Year, the pharma packaging business recorded a turnover of approximately RMB1,693,798,000, representing an increase of 32.2% over last year and the Company continues to maintain a strong growth momentum. Prefilled syringes have further expanded its market influence in the segment of pre-pack bio-pharmaceuticals, fully guaranteed supply of the COVID-19 vaccine syringes and built a broad customer base.
3. During the Year, the orthopaedic business recorded a turnover of approximately RMB1,747,774,000, representing an increase of 12.4% over last year. Measures such as further consolidating its market position in the spine segment, increased marketing of joint products, further penetration of distribution channels and establishment of a logistic platform have driven sales growth.
4. During the Year, the interventional business recorded a turnover of approximately RMB1,611,583,000, representing a decrease of 2.7% over last year, mainly due to a decline in the sales of Argon as affected by the global epidemic. The Group expanded sales of Argon products in the PRC market through leveraging resources and achieved remarkable progress.

RESEARCH AND DEVELOPMENT

For the year ended 31 December 2020, the Group obtained 95 new patents and 111 new patents are under application in the PRC. Product registration certificates for 38 new products were obtained. The research and development for 20 products were completed for which application for product registration certificates are underway. For overseas market, 8 new patents are under application and the research and development for 91 products were completed for which application for product registration certificates are underway.

he 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 year ended 31 December 2020, the Group had over 531 product registration certificates and 538 patents, of which 89 were patents on invention, in the PRC. For overseas market, the Group had over 584 product registration certificates and 162 patents.

In view of the need for the strategic adjustments to product mix, the Group continued to increase efforts on improvement and subdivision of product layout in existing products series, so as to further improve its product series and expand product range. The Group continued to maintain the leading position in research and development capability in China. For the year ended 31 December 2020, total research and development expenses amounted to approximately RMB411,404,000 (2019: approximately RMB406,363,000), representing 3.63% (2019: 3.91%) of the revenue of the Group.

PRODUCTION

During the Year, in order to constantly expand production capacity, the Group continued to expand its production facilities including workshops of syringe and prefilled syringe to satisfy the sales demand for future market growth. Meanwhile, the Group proactively promoted improvement of production processes and enhanced intellectualization and automation of production equipment. The production costs were reduced through efficiency enhancement and scientific management, maintaining the Company's overall profitability

SALES AND MARKETING

During the Year, the Group consolidated the marketing management system and further adhered to the strategy of sales channel integration and product mix adjustment and to focus on marketing resources on customer development and maintenance in the core healthcare market. The Group achieved substantial results in key client accounts management. As at the date of this announcement, the Group newly added 44 hospitals, 275 other medical institutions and 717 distributors to its PRC customer base, and the Group has a PRC customer base of 6,674 in aggregate (including 2,654 hospitals, 414 blood stations, 985 other medical units and 2,621 distributors) and an overseas customer base of 6,032 in aggregate (including 3,591 hospitals, 1,644 other medical units and 797 distributors).

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

Turnover by Geographical Information

| Regions | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> | Over corresponding period % |
|----------------------------------|-------------------------------|------------------------|--|
| The PRC | | | |
| – Eastern and Central | 4,518,961 | 4,134,979 | 9.3% |
| – Northern | 1,976,735 | 1,868,323 | 5.8% |
| – Northeast | 795,878 | 861,472 | (7.6%) |
| – Southern | 836,743 | 681,917 | 22.7% |
| – Southwest | 755,887 | 737,792 | 2.5% |
| – Northwest | 247,666 | 223,534 | 10.8% |
| PRC sub-total | 9,131,870 | 8,508,017 | 7.3% |
| Overseas | | | |
| – The US | 914,265 | 918,454 | (0.5%) |
| – Europe, Middle East and Africa | 485,502 | 425,605 | 14.1% |
| – Asia | 518,848 | 343,058 | 51.2% |
| – Others | 294,767 | 188,751 | 56.2% |
| Overseas sub-total | 2,213,382 | 1,875,868 | 18.0% |
| Total | 11,345,252 | 10,383,885 | 9.3% |

The integration of sales channels has strengthened the Group's market penetration and influence over the customers. It enhanced sales contribution per customer and continued to drive up the product penetration to high-end customers and was an important approach in generating revenue growth for the Group.

Adjustment in product mix was another important factor in enhancing the results for the Year. Comparison of revenue of principal products with that in last year is as follows:

| Product category | For the year ended 31 December | | | For the six months ended 31 December | | |
|---|--------------------------------|------------------------|--------------------------------------|--------------------------------------|------------------------|--------------------------------------|
| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> | Over corresponding period % | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> | Over corresponding period % |
| Clinical care | 4,267,450 | 4,255,669 | 0.3% | 2,406,881 | 2,178,573 | 10.5% |
| Pharma packaging products | 1,693,798 | 1,281,038 | 32.2% | 929,283 | 654,712 | 41.9% |
| Blood management | 543,515 | 457,857 | 18.7% | 289,585 | 247,418 | 17.0% |
| Wound management | 346,590 | 369,693 | (6.2%) | 213,465 | 207,607 | 2.8% |
| Medical testing | 275,780 | 191,477 | 44.0% | 176,589 | 109,700 | 61.0% |
| Anesthesia and surgical related products | 193,051 | 149,551 | 29.1% | 127,788 | 84,460 | 51.3% |
| Orthopaedic products | 1,747,774 | 1,555,556 | 12.4% | 917,170 | 873,491 | 5.0% |
| Interventional products | 1,611,583 | 1,655,586 | (2.7%) | 828,321 | 841,960 | (1.6%) |
| Other consumables | 665,711 | 467,458 | 42.4% | 359,966 | 232,630 | 54.7% |
| Total | 11,345,252 | 10,383,885 | 9.3% | 6,249,048 | 5,430,551 | 15.1% |

HUMAN RESOURCES

As at 31 December 2020, the Group employed a total of 10,433 employees. The breakdown by departments when compared with last year is as follows:

DEPARTMENT

| | 2020 | 2019 |
|----------------------------|---------------|--------|
| Production | 5,404 | 5,289 |
| Sales and marketing | 2,616 | 2,566 |
| Research and development | 1,165 | 1,132 |
| Finance and administration | 538 | 495 |
| Quality control | 330 | 276 |
| Management | 228 | 198 |
| Purchasing | 152 | 147 |
| Total | 10,433 | 10,103 |

There are a total of 960 overseas employees who are resided in Hong Kong, the US and Europe. Other employees of the Group are resided in Mainland China. During the Year, the total cost of salaries, welfare and social benefits of the Group amounted to approximately RMB1,886,134,000 (2019: approximately RMB1,920,609,000).

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 proposed by the Remuneration Committee with reference to the operating results of the Company, personal performance of the directors and market competition. The proposed remuneration of directors is proposed by the Board subject to approval by shareholders at forthcoming annual general meeting.

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group recorded a turnover of the year of approximately RMB11,345,252,000, representing an increase of 9.3% over the previous financial year. Net profit attributable to the owners of the Company was approximately RMB2,030,137,000 (2019: approximately RMB1,849,936,000), representing an increase of approximately 9.7% as compared with the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB2,030,137,000 (2019: approximately RMB1,928,445,000), representing an increase of approximately 5.3% over the previous year.

FINANCIAL SUMMARY

| | 2020 | 2019 | Increase (decrease) |
|--|-----------------------|----------------|------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | % |
| Turnover | 11,345,252 | 10,383,885 | 9.3% |
| Gross profit | 6,457,290 | 6,513,860 | (0.9%) |
| Net profit attributable to the owners of the Company | 2,030,137 | 1,849,936 | 9.7% |
| Net profit attributable to the owners of the Company (excluding extraordinary items) | 2,030,137 | 1,928,445 | 5.3% |

During the Year, there was no extraordinary items (extraordinary items in 2019: the one-off expenses of RMB78,509,000 for loan replacement of Argon Medical Devices Holdings, Inc. (“Argon”)).

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position. As at 31 December 2020, the Group’s cash and bank balance amounted to approximately RMB5,514,331,000. For the year ended 31 December 2020, net cash flow from operating activities of the Group amounted to approximately RMB2,696,608,000, representing a sound cash flow position.

For the year ended 31 December 2020, total interest expenses of the Group amounted to approximately RMB178,935,000 (2019 total interest expenses: approximately RMB397,948,000, of which RMB79,831,000 was an amortized expense of one-off charge for Argon early repaid bank contribution in 2019).

GEARING RATIO

The gearing ratio of the Group as at the end of 2020 declined to 24.5% (2019: 33.9%).

As at 31 December 2020, total net cash of the Group amounted to approximately RMB1,224,031,000 (2019: net debt of approximately RMB1,250,935,000). The gearing ratio represents total debt as a percentage of total capital. Total debt is calculated as total borrowings. Total capital is calculated as the Group's shareholders' fund.

FOREIGN EXCHANGE RISKS

The Group's purchases and sales are mainly conducted in the PRC and the United States. Assets, liabilities and transactions in the PRC are denominated in RMB, while overseas assets and transactions are mainly denominated in US dollars. Foreign exchange risk mainly arises from outstanding borrowings denominated in foreign currencies. Since this year, the Group has adopted foreign currency hedging instruments to achieve better foreign exchange risk management. The objective of the hedge is to minimise the volatility of the RMB expenditures expected to be incurred in the future to meet foreign currency liabilities. The Group's risk management policy is to partially hedge the forecasted cash flows in foreign currencies by considering the appropriate hedging instruments and costs of hedging. The Group uses foreign exchange structured derivative financial contracts to hedge its foreign currency risk. For the twelve months ended 31 December 2020, the Group had not encountered any material difficulty due to currency fluctuation nor had it affected its funds for operation purpose.

Due to the fluctuation in exchange rates, the Company realized the foreign exchange loss equivalent to RMB40,081,000 (2019: foreign exchange gain equivalent to RMB7,176,000) for the year ended 31 December 2020.

MATERIAL INVESTMENTS/FUTURE MATERIAL INVESTMENT PLANS

1. During the year, the Group continued to invest approximately RMB887,550,000 in purchase of properties and production facilities and plant construction for the purpose of enhancing the overall construction of the industrial zone for the Group's medical consumables.
2. The Group planned to contribute RMB1,230,000,000 to acquire the equity interest held by Weigao Holding Company Limited in Wego Healthcare Fund Holding Corporation, whose major asset is the entire interest in Rad Source Technologies Inc..
3. The Group planned to invest RMB770,000,000 to acquire 38.5% interest in the Songyuan Healthcare Industry Fund (松源健康醫療產業基金), which focuses on investments in the medical and healthcare sector mainly covering medical devices, biopharmaceuticals, medical services and rehabilitation and elderly care, of which RMB154,000,000 has been contributed during the year.
4. In 2021, the Group planned to invest approximately RMB400,000,000 in the new production lines, which is expected to be successively put in operation by the end of 2023.
5. In 2021, the Group planned to invest approximately RMB150,000,000 in the upgrading and reconfiguration of the single-use consumables production equipment to further enhance the level of production automation.

Save for the above material investments and investment plans, the Group had no future plans involving significant investments or capital assets acquisition as at 31 December 2020.

CAPITAL COMMITMENT

As at 31 December 2020, the capital commitment including acquisition, investment and purchase of property, plant and equipment which the Group and the Company had contracted for but not provided amounted to approximately RMB2,393,246,000 (2019: approximately RMB485,232,000). The above amounts will be financed by the internal resources of the Group.

PLEDGE OF THE GROUP'S ASSETS

As at 31 December 2020, the Group had pledged the equity interest in Jierui, Shandong Financial Leasing Company and Shanghai Financial Leasing Company, all wholly-owned subsidiaries of the Group, and Shandong Weigao Puri Pharmaceutical Packaging Co., Ltd., a controlled subsidiary of the Group, to secure the long-term borrowings from International Finance Corporation, and pledged bank deposits of RMB340,129,000 (2019: RMB321,923,000) to secure the bills and letters of credit granted to the Group.

The Financial Leasing Company had pledged accounts receivable of RMB18,091,000 (2019: RMB120,321,000) to secure financing.

The Group had pledged bills receivable of RMB128,188,000 (2019: RMB165,630,000) to secure bank facilities.

As at 31 December 2020, the loan principal of Argon amounted to US\$379,687,500, which was secured by a security package of 100% equity interests in Argon and its subsidiaries as well as the property, plant and equipment, intangible assets, inventories, trade and other receivables, bank deposits and cash of Argon. In the meantime, the Company provided guarantee for Argon.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2020, total reserves of the Group amounted to RMB17,093,113,000 (2019: RMB15,728,267,000).

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 2020, the distributable reserves of the Company were approximately RMB7,158,250,000 (2019: RMB4,836,523,000).

REVIEW AND OUTLOOK

During the Year, the outbreak of COVID-19 had a significant impact on human life and health and the global economy, posing a serious challenge to healthcare services and companies in the industry. The product and market diversification strategy of the Company and its resource consolidation initiatives have demonstrated remarkable resilience to risks.

The Company will continue to implement its strategies as the COVID-19 outbreak is brought under control. The Company adheres to product mix optimisation and adjustment strategy, accelerated products upgrade, and increased investments in technological upgrade to enhance production efficiency and improve product quality; in addition to integrating marketing resources, improving efficiency of new product sales through sharing of internal channel resources, the Company continues to maintain growth in revenue and profit despite intensified competition.

Building an ecosystem with diversified products and a collaborative and efficient organisational system and through our platform strategy, the Company will provide systematic and holistic solutions to medical institutions and patients to achieve economy of scale.

Through innovative thinking and model, the Company established a digital management platform with strategic execution at its core to promote digital transformation and enhance efficiency and effectiveness.

The Company will continue with product management, enhance product innovation and manufacture quality products, so as to further strengthen brand influence.

The Company actively responded to and participated in the reform initiatives of domestic medical industry and provided high-quality products and services to meet clinical needs, increasing penetration rate of our products.

Enhancing coordination in overseas markets, the Group will accelerate global business integration and resource sharing.

With its strategic layout in extensive business fields and high-quality products, persistent in adapting to market, future operating strategy and motivating employee creativity, the management believes that the Company will continue to maintain its leading position in the PRC market. Meanwhile, the Company will proactively promote global resource sharing to achieve the coordinated development of domestic and foreign markets, thus supporting the stable growth in the operating results of the Group.

SHARE-BASED PAYMENTS

On 17 November 2014, the Company's share award scheme (the "Incentive Share Scheme") was adopted by the extraordinary general meeting. The maximum number of non-listed Shares which may be issued under the share award scheme would be 223,818,616, which represent 5% of the existing issued share capital of the Company or approximately 4.76% of the issued share capital of the Company as enlarged by the issue of the 223,818,616 non-listed shares, respectively, as incentive shares to key personnel of the Group, and other persons as approved by the Remuneration Committee (the "Selected Employee"), in batches in subsequent years. The life of the Incentive Share Scheme is for 10 years starting from 17 November 2014. Details of the Incentive Share Scheme are set out in the Company's announcement and circular dated 15 August 2014 and 30 September 2014 respectively.

According to the Incentive Share Scheme, the incentive shares will be granted to the Selected Employee, subject to non-market performance vesting conditions. For Selected Employee with a domestic identity, the trustee will administer the incentive shares, which may be organised in forms of companies owned by the employees, limited partnership, or qualified trust companies in the PRC, or for Selected Employee with a foreign identity, the trustee will hold the incentive shares outside the PRC. On 11 December 2015, the Company granted first 45,960,000 incentive shares to 111 Selected Employees. On 4 January 2016, the trustees subscribed the 45,960,000 shares with the consideration of RMB101,112,000 at the issue price of RMB2.20 per share. The fair value of the incentive shares as at grant date amounted to RMB205,251,000 which determined by market price of listing shares of the Company.

For grants of shares that are satisfying specified vesting conditions, the difference between the fair value and the issue price of the vested shares is expensed on a straight-line basis over the periods in which services are expected to be rendered by the relevant employees. The Group recognised the incentive share expenses of approximately RMB7,903,000 (2019: RMB14,837,000) into the profit or loss during the current year.

Three limited partnerships (named Weihai Chang Hong Enterprise Management Consulting Centre (Limited Partnership) (威海長弘企業管理諮詢中心(有限合夥)), Weihai Yang Fan Enterprise Management Consulting Centre (Limited Partnership) (威海揚帆企業管理諮詢中心(有限合夥)) and Weihai Hong Tu Enterprise Management Consulting Centre (Limited Partnership) (威海宏圖企業管理諮詢中心(有限合夥)), respectively) were set up for the purpose of administering the Incentive Share Scheme and holding the shares, and hereby regarded as special purpose entities of the Company and consolidated to the Group accordingly.

Details of specific categories of share award are as follows:

| Date of grant | Vesting period | Exercise Price |
|--------------------------|-----------------------|-----------------------|
| Batch 1 11 December 2015 | 5 years | RMB2.2 |

Note: The granted shares are vested in five tranches with the vesting date on 31 December of each year from 2015 to 2019, the vested shares are excisable after two years lock up period following vested.

As of 31 December 2020, the outstanding incentive shares under the Incentive Share Scheme were 23,564,000 (2019: 45,960,000), included 9,570,000 exercisable shares (2019: 9,078,000).

During the year ended 31 December 2020, the trustees repurchased 9,064,000 shares (2019: 7,248,000), which would be taken up by the Selected Employees with the net consideration of RMB52,571,000 (2019: RMB23,995,000) at the price of RMB8.00 per share (2019: RMB5.51). The controlling shareholder provided the required funds for repurchase, and it will absorb, and will not claim for, any shortfalls in repayment. The repurchased shares are held by the trustees for the benefit of the Share Award Scheme, to grant to other selected employees or to sell for the repayment of the loan provided by the controlling shareholder.

During the year ended 31 December 2020, the trustees sold 22,396,000 repurchased shares for a consideration of RMB259,745,000 (post-tax RMB203,133,000), certain of which were used to settle the loan provided by the controlling shareholder and the interest thereon.

PROPOSED SPIN-OFF AND LISTING OF SHANDONG WEIGAO ORTHOPAEDIC DEVICE COMPANY LIMITED ON A STOCK EXCHANGE IN THE PRC

Reference is made to announcements of the Company dated 30 December 2019, 11 June 2020, 30 July 2020 and 25 February 2021 (the “Announcements”) regarding the proposed spin-off and separate listing (the “Proposed Spin-off and Listing”) of Shandong Weigao Orthopaedic Device Company Limited (“Weigao Ortho”) on the Sci-Tech Board of the Shanghai Stock Exchange and the Proposed Spin-off and Listing has been approved by the listing committee of the Sci-Tech Board. The issuance and listing of the shares of Weigao Ortho still requires the consent on the registration from the China Securities Regulatory Commission, which remains uncertain. The Company will perform its information disclosure obligations in a timely manner based on the progress of related matters and strictly in accordance with the provisions and requirements of laws and regulations. Currently, the Company, directly and indirectly, holds approximately 80.5% equity interest in Weigao Ortho. Upon completion of the Proposed Spin-off and Listing on the Sci-Tech Board, it is expected that Weigao Ortho will remain as a subsidiary of the Company.

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.

CHANGE OF BOARD COMPOSITION AND SENIOR MANAGEMENT

Pursuant to Rule 13.51B of the Listing, the change of information on director and senior management during the period from 1 January 2020 to 30 March 2021:–

1. Mr. Zhang Hua Wei has tendered resignation as chairman and executive director of the Company with effect from 30 March 2021.
2. Mr. Wang Yi has tendered resignation as an executive director of the Company with effect from 30 March 2021.
3. Mr. Long Jing (“Mr. Long”) has resigned as chief executive officer of the Company with effect from 30 March 2021. Mr. Long has been appointed as Chairman with effect from 30 March 2021.
4. Mr. Cong Rinan has been appointed as the chief executive officer of the Company with effect from 30 March 2021.
5. Mr. Chen Lin has been appointed as a non-executive director of the Company as at 8 March 2021.
6. Mr. Tang Zheng Peng has been appointed as a non-executive director of the Company as at 8 March 2021.
7. Mr. Gong Jian Bo has tendered resignation as an executive director of the Company with effect from 14 December 2020.
8. Mrs. Zhou Shu Hua has tendered resignation as a non-executive director of the Company with effect from 14 December 2020.
9. Mr. Hu Yun Yong has been appointed as a supervisor of the Company with effect from 22 July 2020.
10. Ms. Gu Mei Jun has been appointed as a supervisor of the Company with effect from 22 July 2020.

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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Lo Wai Hung, Mrs. Fu Mingzhong and Mrs. Wang Jinxia. The Chairman of the Audit Committee is Mr. Lo Wai Hung. The Audit Committee has reviewed the Group's audited consolidated financial statements for the Year which have been agreed by the Company's auditor, and is of the view that the Group's audited consolidated financial statements for the Year are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made. The Audit Committee has also reviewed the annual results for the Year.

CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON EXECUTIVE DIRECTORS

The Company confirmed that it had received the annual confirmation of independence from each of the Independent Non-executive Directors in compliance with Rule 3.13 of the Listing Rules on 30 March 2020. The Company is of the view that the Independent Non-executive Directors remain independent during the Year in accordance with the relevant requirements of Rule 3.13 of the Listing Rules.

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 maintain 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 31 December 2020.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Attending and Voting in the Annual General Meeting

In order to determine the shareholders who are entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 17 May 2021 to Monday, 24 May 2021 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for attending and voting in 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 14 May 2021. In order to qualify for attending and voting in the Annual General Meeting:–

Latest time to lodge in transfer instrument accompanied

by the share certificates for H Shares 4:30 p.m.,
Friday, 14 May 2021

Closure of register of members of the Company

for attending and voting in the Annual General Meeting Monday, 17 May 2021 to
Monday, 24 May 2021
(both days inclusive)

Date of the Annual General Meeting Monday, 24 May 2021

Entitlement of Proposed Final dividend

In order to determine entitlement to the proposed final dividend payment, the register of members of the Company for H Shares will be closed from Saturday, 29 May 2021 to Wednesday, 2 June 2021 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for entitlement of the proposed final dividend, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 28 May 2021.

In order to qualify to entitle the final dividend for the year ended 31 December 2020:–

Latest time to lodge in transfer instrument accompanied

by the share certificates for H Shares 4:30 p.m.,
Friday, 28 May 2021

Closure of register of members of the Company

for entitlement of the final dividend for

the year ended 31 December 2020. Saturday, 29 May 2021 to
Wednesday, 2 June 2021
(both days inclusive)

Record date for the entitlement of the final dividend Wednesday, 2 June 2021

Expected despatch date of the final dividend. Monday, 5 July 2021

The final dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Monday, 5 July 2021.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2020 of RMB0.068 (2019: RMB0.061) (before considering any tax effect) per share totaling RMB307,519,000 (2019: RMB275,862,000), which will be subject to the approval of shareholders of the Company at the forthcoming 2020 annual general meeting. Dividend payable to Shareholders will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the average exchange rate published by The People's Bank of China during the week prior to the Annual General Meeting. Subject to the approval of the Annual General Meeting, the 2020 final dividend will be paid on or around 5 July 2021.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the final dividend as enterprise income tax, distribute the final dividend to non-resident enterprise shareholders, i.e. any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)) (the “Tax Treaties Notice”), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H Shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

The Company will identify the country of domicile of the individual holders of H shares according to their registered address on the H share register of members of the Company (the “Registered Address”). If the domicile of an individual holders of H shares is not the same as the Registered Address or if the individual holders of H shares would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual holders of H shares shall notify and provide relevant supporting documents to the Company. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement the relevant tax withholding provisions and arrangements. Individual holders of H shares may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Tax Treaties Notice if they do not provide the relevant supporting documents to the Company.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from or in connection with any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements. Shareholders are recommended to consult their tax advisors regarding the PRC, Hong Kong and other tax implications arising from or in connection with their holding and disposal of the H shares of the Company.

PUBLICATION OF FINANCIAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is available for viewing on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2020 will be dispatched to shareholders of the Company and published on the Stock Exchange and the Company's websites respectively in due course.

DESPATCH OF 2020 ANNUAL REPORT

The 2020 annual report for the year ended 31 December 2020 is expected to be despatched to shareholders of the Company on or around 30 April 2021.

By Order of the Board

Shandong Weigao Group Medical Polymer Company Limited

Long Jing

Chairman

30 March 2021

Weihai, Shandong Province, the PRC

As at the date of this announcement, the Board Comprises:

Mr. Long Jing (*Executive Director*)

Mr. Chen Lin (*Non-executive Director*)

Mr. Tang Zheng Peng (*Non-executive Director*)

Mr. Lo Wai Hung (*Independent non-executive Director*)

Mrs. Fu Ming Zhong (*Independent non-executive Director*)

Mrs. Wang Jin Xia (*Independent non-executive Director*)