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WEGO 威高

山東威高集團醫用高分子製品股份有限公司

Shandong Weigao Group Medical Polymer Company Limited *

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1066)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

SUMMARY

- For the year ended 31 December 2023 (the “Year”), the revenue of Shandong Weigao Group Medical Polymer Company Limited (the “Company” and together with its subsidiaries, the “Group”) was approximately RMB13,229,453,000 (2022: approximately RMB13,747,473,000), representing a decrease of 3.8% over the previous year. Net profit attributable to the owners of the Company was approximately RMB2,001,906,000 (2022: approximately RMB2,764,093,000), representing a decrease of 27.6% over last year. *(Note 1)*
- Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB1,982,432,000, representing a decrease of 28.8% over the comparative figure for the previous year (2022: approximately RMB2,783,452,000). *(Note 2)*

Note 1: In 2023, Weigao Orthopaedic, a subsidiary of the Company, acquired the 100% equity interests of Shandong Weigao Newlife Medical Device Co., Ltd., a fellow subsidiary of the Company. In accordance with the accounting standards, in 2022, the revenue and net profit attributable to owners of the Company were approximately RMB13,747,473,000 and RMB2,764,093,000, respectively after the accounting restatements to include the results of Weigao Newlife Medical Device Co., Ltd.

Note 2: In 2023, the extraordinary items include the post-tax gain of a product liability claim including insurance recovery attributable to the owners of the Company of approximately RMB19,474,000 (extraordinary items in 2022: Shandong WEGO Blood Purification Products Co., Ltd. (“Wego Blood Purification”) issued new shares to investors, and the Company’s equity was diluted from 28.0871% to 26.55%, resulting in a gain of approximately RMB100,398,000. The Company recorded a post-tax gain of approximately RMB57,549,000 regarding the taking back by the government the using rights of 2 state-owned construction sites and the buildings, structures, and other ancillary facilities thereon; and the post-tax expenses of a product liability claim attributable to owners of the Company of approximately RMB177,306,000).

The Directors recommended the payment of a final dividend of RMB0.0943 (2022: RMB0.079) per share, which is subject to the approval by the shareholders of the Company (“Shareholders”) at the forthcoming general meeting.

* For identification only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>NOTES</i>	Year ended 31/12/2023 <i>RMB'000</i>	Year ended 31/12/2022 <i>RMB'000</i> (restated)
Revenue	3	13,229,453	13,747,473
Cost of sales		<u>(6,586,420)</u>	<u>(6,441,741)</u>
Gross profit		6,643,033	7,305,732
Other income, gains and losses	4	352,682	445,702
Impairment losses under expected credit loss model, net of reversal		(5,343)	(33,930)
Selling expenses		(2,582,237)	(2,536,450)
Administrative expenses		(1,249,983)	(1,122,577)
Research and development expenses		(592,850)	(556,442)
Finance costs	5	(272,971)	(191,401)
Share of results of associates		86,079	77,906
Share of results of joint ventures		<u>(9,223)</u>	<u>(2,801)</u>
Profit before tax		2,369,187	3,385,739
Income tax expense	6	<u>(307,585)</u>	<u>(435,589)</u>
Profit for the year		<u><u>2,061,602</u></u>	<u><u>2,950,150</u></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>58,182</u>	<u>356,458</u>
Total comprehensive income for the year		<u><u>2,119,784</u></u>	<u><u>3,306,608</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>NOTES</i>	Year ended 31/12/2023 <i>RMB'000</i>	Year ended 31/12/2022 <i>RMB'000</i> (restated)
Profit for the year attributable to:			
Owners of the Company		2,001,906	2,764,093
Non-controlling interests		59,696	186,057
		<u>2,061,602</u>	<u>2,950,150</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		2,051,260	3,093,925
Non-controlling interests		68,524	212,683
		<u>2,119,784</u>	<u>3,306,608</u>
Earnings per share			
Basic (<i>RMB per share</i>)	9	<u>0.44</u>	<u>0.61</u>
Diluted (<i>RMB per share</i>)		<u>0.44</u>	<u>0.61</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	<i>NOTES</i>	31/12/2023 RMB'000	31/12/2022 <i>RMB'000</i> (restated)
Non-current assets			
Property, plant and equipment		6,512,423	6,344,161
Right-of-use assets		494,308	515,221
Investment properties		135,611	140,785
Goodwill		3,727,790	3,638,741
Deposits paid for acquiring property, plant and equipment		328,302	461,041
Other intangible assets		1,507,337	1,722,176
Interests in associates		1,461,381	1,375,302
Interests in joint ventures		349,318	358,035
Financial assets at fair value through profit or loss		86,910	120,301
Deferred tax assets		207,102	161,241
Finance lease receivables		15,302	23,037
Loan receivables		147,191	184,165
Prepayments		62,965	70,536
		15,035,940	15,114,742
Current assets			
Inventories	<i>10</i>	2,495,352	2,323,755
Loan receivables		642,476	627,626
Trade and other receivables	<i>11</i>	7,365,212	7,085,067
Financial assets at fair value through profit or loss		371	–
Debt instruments at fair value through other comprehensive income		344,211	521,651
Finance lease receivables		42,963	70,831
Pledged/restricted bank deposits		754,975	694,084
Cash and bank balances	<i>12</i>	6,988,731	6,964,486
		18,634,291	18,287,500
Current liabilities			
Trade and other payables	<i>13</i>	4,319,784	4,415,899
Contract liabilities		424,492	380,444
Borrowings		2,546,750	960,808
Financial liabilities at fair value through profit or loss		7,653	–
Tax payable		239,964	193,918
Deferred income		7,369	13,110
Lease liabilities		26,587	29,323
Provisions		9,442	11,655
		7,582,041	6,005,157

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 DECEMBER 2023

	<i>NOTES</i>	31/12/2023 RMB'000	31/12/2022 RMB'000 (restated)
Net Current Assets		<u>11,052,250</u>	<u>12,282,343</u>
Total Assets less Current Liabilities		<u>26,088,190</u>	<u>27,397,085</u>
Capital and Reserves			
Share capital		457,063	457,063
Reserves		<u>21,992,058</u>	<u>21,309,803</u>
Equity attributable to owners of the Company		22,449,121	21,766,866
Non-controlling interests		<u>1,543,584</u>	<u>1,815,419</u>
Total Equity		<u>23,992,705</u>	<u>23,582,285</u>
Non-current liabilities			
Borrowings		499,894	2,403,212
Bonds payable		995,405	993,977
Other payable and accrued expenses	<i>13</i>	226,363	–
Deferred income		59,977	69,094
Deferred tax liabilities		165,794	199,797
Lease liabilities		100,681	104,077
Contract liabilities		9,730	7,642
Provisions		<u>37,641</u>	<u>37,001</u>
		<u>2,095,485</u>	<u>3,814,800</u>
		<u>26,088,190</u>	<u>27,397,085</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 holding company is Weigao Holding Company Limited (“Weigao Holding”), and its ultimate holding company is Weihai Weigao International Medical Investment Holding Company Limited (“Weihai Weigao International”). Both Weigao Holding and Weihai Weigao International are 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. 1, Weihai Road, Weihai Torch Hi-Tech Science Park, 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. 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.

3. REVENUE AND SEGMENT INFORMATION

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 Medical Devices Holding, Inc.. 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, medical testing, anesthesia and surgical related products and other consumables
Orthopaedic products	– production and sale of orthopaedic products, including tissue repair product line
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, irradiation, 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 2023

	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	6,961,407	1,271,203	1,931,040	2,023,809	1,041,994	-	-	13,229,453
Inter-segment sales	45,797	-	-	-	-	-	(45,797)	-
Total	<u>7,007,204</u>	<u>1,271,203</u>	<u>1,931,040</u>	<u>2,023,809</u>	<u>1,041,994</u>	<u>-</u>	<u>(45,797)</u>	<u>13,229,453</u>
Segment profit	<u>1,053,863</u>	<u>74,159</u>	<u>23,454</u>	<u>811,783</u>	<u>120,203</u>	<u>82,732</u>	<u>-</u>	<u>2,166,194</u>
Depreciation of investment properties								(5,399)
Unallocated other income, gains and losses								(3,031)
Rental income of investment properties								11,412
Interest income from bank deposits								158,509
Loss from changes in fair value of financial instruments at FVTPL								(28,037)
Gain on disposal of financial instruments at FVTPL								5,968
Share of results of associates								86,079
Share of results of joint ventures								(9,223)
Share-based payment expenses								(42,426)
Gain on deregistration of investments in subsidiaries								593
Net gain of litigation								28,548
Profit before tax								<u>2,369,187</u>

For the year ended 31 December 2022

	Medical device products <i>RMB'000</i> (restated)	Orthopaedic products <i>RMB'000</i> (restated)	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> (restated)
Revenue								
External sales	6,779,746	2,038,168	1,726,167	2,105,432	1,097,960	-	-	13,747,473
Inter-segment sales	50,802	-	-	-	-	-	(50,802)	-
Total	<u>6,830,548</u>	<u>2,038,168</u>	<u>1,726,167</u>	<u>2,105,432</u>	<u>1,097,960</u>	<u>-</u>	<u>(50,802)</u>	<u>13,747,473</u>
Segment profit	<u>1,297,951</u>	<u>643,144</u>	<u>147,448</u>	<u>895,983</u>	<u>210,587</u>	<u>64,017</u>	<u>-</u>	<u>3,259,130</u>
Depreciation of investment properties								(3,853)
Unallocated other income, gains and losses								62,147
Rental income of investment properties								11,812
Interest income from bank deposits								117,540
Gain on disposal of investments in subsidiaries								47,832
Gain from changes in fair value of financial instruments at FVTPL								19,557
Gain on disposal of financial instruments at FVTPL								36,757
Gain on deemed disposal of investments in an associate								100,398
Share of results of associates								77,906
Share of results of joint ventures								(2,801)
Share-based payment expenses								(81,077)
Net loss of litigation								(259,609)
Profit before tax								<u>3,385,739</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, unallocated other income, gains and losses of the corporate function, interest income from bank deposits, gain on disposal of investments in subsidiaries, gain from changes in fair value of financial instruments at FVTPL, gain on disposal of financial investments at FVTPL, gain on deemed disposal of investments in an associate, share of results of associates/joint ventures, share-based payment expenses recognised for grantees of the management of the Group and net gain/(loss) of litigation. This is the measure reported to the Managing Director 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

	31/12/2023	31/12/2022
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
Medical device products	11,095,372	10,439,913
Orthopaedic products	2,994,546	3,143,920
Interventional products	5,600,529	5,918,361
Pharma packaging products	2,970,487	2,853,330
Blood management products	825,519	1,051,854
Others	1,103,765	1,169,640
	<hr/>	<hr/>
Total segment assets	24,590,218	24,577,018
Financial assets at FVTPL	87,281	120,301
Interests in associates	1,461,381	1,375,302
Interests in joint ventures	349,318	358,035
Investment properties	135,611	140,785
Deferred tax assets	207,102	161,241
Pledged/restricted bank deposits	754,975	694,084
Cash and bank balances	6,084,345	5,975,476
	<hr/>	<hr/>
Consolidated assets	33,670,231	33,402,242
	<hr/> <hr/>	<hr/> <hr/>

Segment liabilities

	31/12/2023	31/12/2022
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
Medical device products	4,953,772	4,771,335
Orthopaedic products	1,217,784	997,992
Interventional products	2,598,068	2,886,469
Pharma packaging products	289,710	419,208
Blood management products	287,674	323,020
Others	53,323	59,055
	<hr/>	<hr/>
Total segment liabilities	9,400,331	9,457,079
Deferred tax liabilities	165,794	199,797
Financial liabilities at FVTPL	7,653	–
Unallocated other payables	103,748	163,081
	<hr/>	<hr/>
Consolidated liabilities	9,677,526	9,819,957
	<hr/> <hr/>	<hr/> <hr/>

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 associates, interests in joint ventures, investment properties, deferred tax assets, pledged/restricted bank deposits and part of cash and bank balances.
- all liabilities are allocated to operating segments other than deferred tax liabilities, financial liabilities at FVTPL, and unallocated other payables.

Other segment information

For the year ended 31 December 2023

	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	278,952	147,048	30,271	220,077	69,175	-	745,523
Allowances for credit losses	23,037	(16,043)	1,381	(1,656)	(1,721)	345	5,343
Impairment losses on inventories	1,571	27,944	2,708	-	-	-	32,223
Impairment losses on property, plant and equipment	-	1,679	-	-	-	-	1,679
Impairment losses on other intangible assets	-	-	8,020	-	-	-	8,020
Amortisation of other intangible assets	612	5,232	257,425	25	12,944	-	276,238
Depreciation of property, plant and equipment	274,520	102,934	26,524	132,839	50,920	8	587,745
Depreciation of right-of-use assets	26,082	4,358	6,869	-	5,013	-	42,322
Loss/(gain) on disposal of property, plant and equipment	444	17	1,423	(20)	283	-	2,147
Research and development expenditure	304,007	130,310	50,339	65,213	42,981	-	592,850
Share-based payment expenses	-	1,105	11,928	-	-	-	13,033
Government grants	(50,162)	(8,477)	(6,992)	(7,286)	(154)	(6,071)	(79,142)
Rebate of value added tax ("VAT")	(75,683)	-	-	(46)	-	(3,012)	(78,741)

For the year ended 31 December 2022

	Medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i> (restated)	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	206,135	164,204	51,390	629,251	52,861	39	1,103,880
Allowances for credit losses	12,531	8,759	487	7,199	–	4,954	33,930
Impairment losses on inventories	(16)	7,453	1,806	–	3,835	–	13,078
Impairment losses on other intangible assets	–	–	10,806	–	–	–	10,806
Amortisation of other intangible assets	280	5,844	231,198	819	12,360	–	250,501
Depreciation of property, plant and equipment	258,602	88,079	20,112	110,373	34,447	17	511,630
Depreciation of right-of-use assets	22,650	3,697	6,133	–	4,680	–	37,160
(Gain)/loss on disposal of property, plant and equipment	(67,421)	(228)	6,323	127	280	–	(60,919)
Research and development expenditure	308,088	117,657	27,196	62,126	41,375	–	556,442
Share-based payment expenses	–	2,638	8,052	–	–	–	10,690
Government grants	(17,699)	(13,547)	(6,795)	(1,372)	(350)	(3,186)	(42,949)
Rebate of VAT	(80,165)	–	–	–	–	(1,911)	(82,076)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Revenue from major products and services

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

	Year ended 31/12/2023 <i>RMB'000</i>	Year ended 31/12/2022 <i>RMB'000</i> (restated)
Sale of medical device products	6,727,859	6,567,676
Sale of orthopaedic products	1,271,203	2,038,168
Sale of interventional products	2,164,588	1,938,237
Sale of pharma packaging products	2,023,809	2,105,432
Sale of blood management products	1,041,994	1,097,960
	<u>13,229,453</u>	<u>13,747,473</u>

Information about major customers

There is no single customer contributing over 10% of total revenue 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	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)		(restated)
PRC	9,832,038	10,582,343	9,395,723	9,165,460
United States	1,300,576	1,272,330	5,077,849	5,366,273
Europe, the Middle East and Africa	611,304	563,217	103,791	99,582
Other districts	1,485,535	1,329,583	17,374	17,720
	13,229,453	13,747,473	14,594,737	14,649,035

Non-current assets excluded financial instruments and deferred tax assets.

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

As a practical expedient of HKFRS 15, 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.

4. OTHER INCOME, GAINS AND LOSSES

	Year ended 31/12/2023 <i>RMB'000</i>	Year ended 31/12/2022 <i>RMB'000</i> (restated)
Other income:		
Rebate of VAT (<i>Note a</i>)	78,741	82,076
Government grants (<i>Note b</i>)	79,142	42,949
Operating rental income	11,412	11,812
Finance lease income	2,896	5,902
Interest income from bank deposits	158,509	117,540
Interest income from factoring business	14,713	13,808
Interest income from loan receivables	62,456	50,062
	<u>407,869</u>	<u>324,149</u>
Other gains and losses:		
Impairment losses on other intangible assets	(8,020)	(10,806)
Impairment losses on inventories	(32,223)	(13,078)
Impairment losses on property plant and equipment	(1,679)	–
Net exchange (loss)/gain	(16,602)	138,325
(Loss)/gain on disposal of property, plant and equipment	(2,147)	60,919
Gain on deregistration/disposal of investments in subsidiaries	593	47,832
Gain on deemed disposal of investment in an associate	–	100,398
(Loss)/gain from changes in fair value of financial instruments measured at FVTPL	(28,037)	19,557
Donation paid	(939)	(677)
Gain on disposal of financial instruments measures at FVTPL	5,968	36,757
Net gain/(loss) of litigation (<i>Note c</i>)	28,548	(259,609)
Others	(649)	1,935
	<u>(55,187)</u>	<u>121,553</u>
	<u><u>352,682</u></u>	<u><u>445,702</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) A subsidiary of the Group (the “Subsidiary”) is a defendant involving in a number of product liability claims. The Subsidiary entered into a conditional master settlement agreement with the lead counsel for the plaintiffs (the “Agreement”) to resolve and settle the vast majority of the outstanding claims against the Subsidiary (the “Settlement”). As a result, the Group recorded cumulative pre-tax provision of RMB667,047,000 in respect of the Subsidiary’s obligation for product liability claims under the Agreement during the year ended 31 December 2022.

As of 31 December 2023, for the number of plaintiffs who may, but have not yet agreed to participate in the Settlement, and the number of plaintiffs who declined to participate in the Settlement, the Group recorded pre-tax provision of RMB34,962,000 (2022: recorded RMB35,742,000) based on the best estimation of the injury alleged, the results of related litigation, and the degree of responsibility that may be inferred to the Subsidiary.

During the year ended 31 December 2023, the Subsidiary had obtained product liability insurance and its insurers have paid the Subsidiary an aggregate amount of RMB26,073,000 (2022: RMB203,491,000). During the year ended 31 December 2023, the net gain related to the product liability claims by considering the provision and insurance coverage is recorded with an amount of RMB28,548,000 (2022: net loss RMB259,609,000).

The Group reserves the right to seek recovery of certain of these losses from the entity that previously owned the relevant products, including taking necessary legal actions.

5. FINANCE COSTS

	Year ended 31/12/2023 <i>RMB'000</i>	Year ended 31/12/2022 <i>RMB'000</i>
Interest on borrowings	232,257	150,148
Interest on bonds payable	35,900	35,900
Interest on lease liabilities	4,814	5,353
	<u>272,971</u>	<u>191,401</u>

6. INCOME TAX EXPENSE

	Year ended 31/12/2023 <i>RMB'000</i>	Year ended 31/12/2022 <i>RMB'000</i> (restated)
Current enterprise income tax	403,063	479,971
Over provision in prior years	(12,981)	(1,466)
Deferred tax	(82,497)	(42,916)
	<u>307,585</u>	<u>435,589</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Company and certain PRC subsidiaries is 15% for the years ended 31 December 2023 and 2022.

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

The Company, Jierui, Weigao Orthopaedic and Shandong Weigao Purui Pharmaceutical Packaging Co., Ltd (“Weigao Purui”) were recognised as Shandong Province New and High Technical Enterprises (山東省高新技術企業) from the year 2020 to 2025; Weihai Weigao Medical Materials Co., Ltd. and Weigao New Life Medical Equipment Co., Ltd. (“Weigao New Life”) were recognised as Shandong Province New and High Technical Enterprises from the year 2021 to 2023, Zhejiang Quantum Medical Devices Co., Ltd. (“Zhejiang Quantum”) was recognised as Zhejiang Province New and High Technical Enterprises from the year 2021 to 2023, and the subsidiaries of the Company, Changzhou Jianli Bangde Medical Devices Co., Ltd and Weihai Weigao Jiesheng Medical Devices Co., Ltd. were recognised as New and High Technical Enterprises from the year 2019 to 2024. In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax”, New and High Technical Enterprise was subject to income tax at a tax rate of 15%.

The State Taxation Administration of the PRC announced in September 2022 that enterprises accredited as “New and High Technical Enterprise” would be entitled to claim 100% of the purchase price for equipment and appliances newly purchased during the period from 1 October 2022 to 31 December 2022 as tax deductible expenses and 100% additional deduction for the year ended 31 December 2022.

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 2023 and 2022 were made after taking these tax incentives into account.

7. PROFIT FOR THE YEAR

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000 (restated)
Profit for the year has been arrived at after charging and crediting:		
Staff costs, including directors' and supervisors' remuneration		
– Retirement benefits scheme contributions	196,708	181,928
– Salaries and other allowances	1,957,086	1,939,805
– Share-based payment expenses	55,459	91,767
	<hr/>	<hr/>
Total staff costs	2,209,253	2,213,500
Impairment losses on inventories	32,223	13,078
Impairment losses on other intangible assets	8,020	10,806
Amortisation of other intangible assets	276,238	250,501
Auditors' remuneration for the Group	8,533	8,915
Impairment losses on property, plant and equipment	1,679	–
Loss/(Gain) on disposal of property, plant and equipment	2,147	(60,919)
Depreciation of property, plant and equipment	587,745	511,630
Depreciation of investment properties	5,399	3,853
Depreciation of right-of-use assets	42,322	37,160
Lease expenses related to short-term lease	10,651	7,298
Cost of inventories recognised as an expense	6,586,420	6,441,741
	<hr/>	<hr/>

8. DIVIDENDS

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2023 Interim – RMB0.0734 (2022: Interim – RMB0.086) per share	335,485	393,074
2022 Final – RMB0.079 (2021: Final – RMB0.065) per share	361,080	297,091
	<hr/>	<hr/>
Total	696,565	690,165
	<hr/>	<hr/>
<i>Less: distribution to the shares hold by the trustees under a share award scheme</i>	(9,565)	(9,846)
	<hr/>	<hr/>
	687,000	680,319
	<hr/> <hr/>	<hr/> <hr/>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB0.0943 (2022: RMB0.079) per share, amounting to RMB431,011,000 (2022: RMB361,080,000) in total, has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

9. 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 31/12/2023 RMB'000	Year ended 31/12/2022 <i>RMB'000</i> (restated)
Profit for the year attributable to owners of the Company	2,001,906	2,764,093
Earnings for the purpose of basic earnings per share	2,001,906	2,764,093
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of subsidiary based on dilution of their earnings per share	<hr/> –	<hr/> (926)
Earnings for the purpose of diluted earnings per share	2,001,906	2,763,167
	<hr/> <hr/>	<hr/> <hr/>

	Year ended 31/12/2023 '000	Year ended 31/12/2022 '000
Number of shares		
Number of shares for the purpose of basic earnings per share	4,507,876	4,505,556
Effect of dilutive potential ordinary shares:		
Incentive shares	<u>11,025</u>	<u>21,093</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,518,901</u>	<u>4,526,649</u>

10. INVENTORIES

	31/12/2023 RMB'000	31/12/2022 RMB'000 (restated)
Raw materials	705,362	662,210
Finished goods	<u>1,789,990</u>	<u>1,661,545</u>
	<u>2,495,352</u>	<u>2,323,755</u>

As at 31 December 2023, total net book value of inventories served as collateral for the Group's borrowing amounted to RMB351,879,000 (2022: RMB289,204,000).

11. TRADE AND OTHER RECEIVABLES

	31/12/2023	31/12/2022
	RMB'000	RMB'000
		(restated)
Trade receivables	5,970,229	5,789,493
<i>Less: Allowance for credit losses</i>	(281,742)	(297,208)
	5,688,487	5,492,285
Receivables from factoring business	231,400	232,945
<i>Less: Allowance for credit losses</i>	(2,722)	(2,418)
	228,678	230,527
Other receivables	772,379	713,225
<i>Less: Allowance for credit losses</i>	(2,336)	(1,667)
	770,043	711,558
Prepayments	740,969	721,233
	7,428,177	7,155,603
Analysed for reporting purposes as:		
Current assets	7,365,212	7,085,067
Non-current assets	62,965	70,536
	7,428,177	7,155,603

As at 31 December 2023, trade receivables from contracts with customers amounted to RMB5,970,229,000 (2022: RMB5,789,493,000 (restated)).

Included in trade receivables are an amount due from fellow subsidiaries of RMB3,157,466,000 (2022: RMB2,878,559,000 (restated)), an amount due from a holding company of RMB3,076,000 (2022: RMB2,952,000), and an amount due from an associate of RMB22,669,000 (2022: RMB28,063,000), an amount due from associates of a holding company of RMB236,000 (2022: RMB867,000).

Included in receivables from factoring business are an amount due from fellow subsidiaries of RMB126,000,000 (2022: RMB144,700,000). The amounts are due in one year with effective interest rates range from 6.00% to 7.00% per annum (2022: from 4.75% to 8.57% per annum).

Included in other receivables are an amount due from fellow subsidiaries of RMB449,055,000 (2022: RMB68,272,000 (restated)), an amount due from a holding company of RMB20,967,000 (2022: RMB386,970,000 (restated)), an amount due from an associate of RMB6,816,000 (2022: RMB11,810,000), an amount due from associates of a holding company of RMB299,000 (2022: RMB194,000). The amounts are unsecured and repayable on demand.

Included in prepayments are an amount paid to fellow subsidiaries of RMB55,022,000 (2022: RMB139,566,000 (restated)), and an amount paid to an associate of RMB2,877,000 (2022: RMB6,620,000).

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.

	31/12/2023	31/12/2022
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
0 to 90 days	2,756,267	2,618,692
91 to 180 days	1,105,295	1,056,219
181 to 365 days	1,037,082	1,092,384
Over 365 days	789,843	724,990
	5,688,487	5,492,285

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,864,982,000 which are past due (2022: RMB1,856,720,000).

As at 31 December 2023, total net book value of trade and other receivables served as collateral for the Group's borrowing amounted to RMB227,834,000 (2022: RMB210,937,000).

12. CASH AND BANK BALANCES

Cash and cash equivalents

Cash and cash equivalents include demand deposits and short-term deposits for the purpose of meeting the Group's short term cash commitments, with amount of RMB4,797,461,000 as at 31 December 2023 (2022: RMB5,521,051,000 (restated)), which carry interest at market rates range from nil to 1.90% (2022: nil to 1.89%).

As at 31 December 2023, cash and cash equivalents included deposits of RMB80,721,000 (2022: RMB162,595,000) placed with an associate of a holding company as deposits carrying interest rates at 0.25% per annum (2022: 0.35% per annum).

As at 31 December 2023, cash and cash equivalents served as collateral for the Group's borrowing amounted to RMB101,094,000 (2022: RMB155,910,000).

Term deposits

The Group's term deposits were issued by banks with original maturity over three months, with amount of RMB2,191,270,000 as at 31 December 2023 (2022: RMB1,443,435,000), which carry interest rates range from 1.30% to 5.40% per annum (2022: 1.30% to 4.90% per annum).

13. 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:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
		(restated)
0 to 90 days	874,314	1,078,863
91 to 180 days	92,060	90,815
181 to 365 days	72,292	100,732
Over 365 days	118,744	162,917
	<hr/>	<hr/>
Trade payables	1,157,410	1,433,327
Bills payable	612,207	278,783
Other tax payables	138,266	206,034
Construction cost and retention payables	75,264	88,513
Selling expense payables	995,471	839,398
Consideration payable for the acquisition of Weigao New Life	309,000	–
Consideration payable for the acquisition of Zhejiang Quantum	20,363	–
Other payables	1,238,166	1,569,844
	<hr/>	<hr/>
	4,546,147	4,415,899
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purpose as:		
Current liabilities	4,319,784	4,415,899
Non-Current liabilities	226,363	–
	<hr/>	<hr/>
	4,546,147	4,415,899
	<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 RMB389,649,000 (2022: RMB299,045,000 (restated)), an amount due to an associate of RMB45,258,000 (2022: RMB68,454,000 (restated)), an amount due to a holding company of RMB1,047,000 (2022: RMB1,235,000), and an amount due to associates of a holding company of RMB7,000 (2022: RMB8,260,000). The amounts are unsecured, interest-free and repayable within credit period.

Included in other payables and consideration payable for the acquisition of Weigao New Life are an amount due to fellow subsidiaries of RMB343,698,000 (2022: RMB39,517,000 (restated)), an amount due to an associate of RMB17,000 (2022: RMB571,000), an amount due to a holding company of RMB105,515,000 (2022: RMB217,860,000), and an amount due to an associate of a holding company of RMB28,657,000 (2022: RMB17,634,000). The amounts are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimisation of product mix

During the year ended 31 December 2023 (the “Year”), the gross profit margin of the Group decreased from 53.1% of last year to 50.2%, which was mainly attributable to the price reduction for certain products and change in product mix.

The existing major products of the Group under each business line are as follows:

- The medical device products business includes clinical care, medical testing equipment, anesthesia and surgical-related products
 - The pharmaceutical packaging business includes prefilled syringes and pre-filled flush syringes
 - The 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
 - The blood management business includes blood collection, storage, separation, and sterilization of consumables and equipment
1. During the Year, the medical device products business recorded a turnover of approximately RMB6,727,859,000, representing an increase of 2.4% over last year. The higher sales base of supplies for epidemic prevention and control in the same period of last year affected the growth rate. The price of various products was reduced in volume-based procurements across different regions. However, the Group continued to maintain a dominant position in this market segment and continued to increase its market share as the sales volume of major products grew rapidly and the market share increased significantly, which compensated the impact of the price reduction on revenue.

2. During the Year, the pharmaceutical packaging business recorded a turnover of approximately RMB2,023,809,000, representing a decrease of 3.9% over last year. Shipment volume for prefilled syringes decreased year-on-year resulting from the high base of orders from COVID-19 vaccine packaging, and the average selling price also declined due to the adjustment of product and customer structure, resulting in a decrease in revenue. As an industry leader, we continued to enhance our service capability to bio-pharmaceutical downstream customers and improved customers' dependence. Sales volume of flushing syringes grew swiftly, exploring the potential of the downstream hospital market.
3. During the Year, the orthopaedic business recorded a turnover of approximately RMB1,271,203,000, representing a decrease of 37.6% over last year, which was mainly attributable to the decrease in the ex-factory price of the products caused by the volume-based procurements. The terminal surgical implantation volume of major orthopaedic products experienced high growth, continued to increase market share.
4. During the Year, the interventional business recorded a turnover of approximately RMB2,164,588,000, representing an increase of 11.7% over last year. Global business progressed in a steady manner, and the business in China continued to increase with great potential.

RESEARCH AND DEVELOPMENT

For the year ended 31 December 2023, the Group obtained product registration certificates for 115 new products in the PRC. The research and development for 57 products were completed for which applications for product registration certificates are underway. 163 new patents were obtained and 166 new patents are under the application. For the year ended 31 December 2023, the Group had over 818 product registration certificates and 965 patents, of which 120 were patents on invention, in the PRC.

For the overseas market, 3 new patents are under application and the research and development for 163 products were completed for which application for product registration certificates are underway. For the year ended 31 December 2023, the Group had over 794 product registration certificates and 192 patents.

The strategy of placing a 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.

In view of the need for strategic adjustments to the product mix, the Group continued to increase efforts on the improvement and subdivision of product layout in existing product series, so as to maintain its leading position in research and development capability in China.

In addition, the prices of major products decreased due to the impact of volume-based procurements. To adapt to the demand for cost reduction, the Group has strategically “reduced costs through R&D and design” and upgraded the design of some of its major products to better improve its competitiveness in the market and increase its profitability.

For the year ended 31 December 2023, total research and development expenses amounted to approximately RMB592,850,000 (2022: approximately RMB556,442,000), representing 4.5% (2022: 4.0%) of the revenue of the Group.

PRODUCTION

During the Year, to constantly expand production capacity, the Group continued to expand its production facilities, including factories of syringes and prefilled syringes to satisfy the sales demand for future market growth. Meanwhile, the Group proactively promoted the 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 focused on marketing resources on customer development and maintenance in the core healthcare market. The Group achieved substantial results in key client accounts management. For the year ended 31 December 2023, the Group newly added 201 hospitals, 5 blood stations, 59 other medical institutions, and 402 distributors to its PRC customer base, and the Group has a PRC customer base of 9,770 in aggregate (including 3,802 hospitals, 419 blood stations, 1,178 other medical units, and 4,371 distributors) and an overseas customer base of 7,530 in aggregate (including 3,265 hospitals, 2,022 other medical units, and 2,243 distributors).

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

Turnover by Geographical Information

Regions	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	Increase or decrease over corresponding period %
The PRC			
– Eastern and Central	5,252,878	5,355,878	(1.9%)
– Northern	1,869,986	2,215,310	(15.6%)
– Southern	925,279	1,036,647	(10.7%)
– Northeastern	837,745	991,513	(15.5%)
– Southwestern	723,722	731,899	(1.1%)
– Northwestern	222,428	251,096	(11.4%)
PRC sub-total	<u>9,832,038</u>	<u>10,582,343</u>	<u>(7.1%)</u>
Overseas			
– USA	1,300,576	1,272,330	2.2%
– Asia	1,086,374	930,581	16.7%
– Europe, Middle East and Africa	611,304	563,217	8.5%
– Others	399,161	399,002	–
Overseas sub-total	<u>3,397,415</u>	<u>3,165,130</u>	<u>7.3%</u>
Total	<u><u>13,229,453</u></u>	<u><u>13,747,473</u></u>	<u><u>(3.8%)</u></u>

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		
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	Over corresponding period %	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	Over corresponding period %
Medical device products	6,727,859	6,567,676	2.4	3,273,519	3,126,420	4.7
Pharma packaging products	2,023,809	2,105,432	(3.9)	962,690	1,049,258	(8.3)
Blood management	1,041,994	1,097,960	(5.1)	518,506	608,477	(14.8)
Orthopaedic products	1,271,203	2,038,168	(37.6)	474,100	839,358	(43.5)
Interventional products	2,164,588	1,938,237	11.7	1,102,938	1,045,271	5.5
Total	<u>13,229,453</u>	<u>13,747,473</u>	<u>(3.8)</u>	<u>6,331,753</u>	<u>6,668,784</u>	<u>(5.1)</u>

HUMAN RESOURCES

As at 31 December 2023, the Group employed a total of 12,519 employees. The breakdown by departments when compared with last year is as follows:

Department

	2023	2022
Production	6,183	6,281
Sales and marketing	3,265	2,896
Research and development	1,370	1,272
Finance and administration	626	596
Quality control	653	607
Management	336	383
Purchasing	86	87
Total	<u>12,519</u>	<u>12,122</u>

There are a total of 1,337 overseas employees who reside in Hong Kong, USA 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 RMB2,209,253,000 (2022: approximately RMB2,213,500,000).

REMUNERATION SYSTEM

The Group's remuneration policy has been determined based on its performance, changes in the local consumption power and competition in the 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 the forthcoming annual general meeting.

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group recorded a turnover for the year of approximately RMB13,229,453,000, representing a decrease of 3.8% over the previous financial year. Net profit attributable to the owners of the Company was approximately RMB2,001,906,000 (2022: approximately RMB2,764,093,000), representing a decrease of approximately 27.6% as compared with the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB1,982,432,000 (2022: approximately RMB2,783,452,000), representing a decrease of approximately 28.8% over the previous year.

FINANCIAL SUMMARY

	2023	2022	Increase (decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	%
Turnover	13,229,453	13,747,473	(3.8%)
Gross profit	6,643,033	7,305,732	(9.1%)
Net profit attributable to the owners of the Company	2,001,906	2,764,093	(27.6%)
Net profit attributable to the owners of the Company (excluding extraordinary items)	1,982,432	2,783,452	(28.8%)

During the Year, extraordinary items include the post-tax gain of product liability claim including insurance recovery attributable to owners of the Company of RMB19,474,000 (extraordinary items in 2022: Wego Blood Purification issued new shares to investors, and the Company's equity was diluted from 28.0871% to 26.55%, resulting in a gain of approximately RMB100,398,000. The Company recorded a post-tax gain of approximately RMB57,549,000 regarding the taking up by the government of the using rights of 2 state-owned construction sites and the buildings, structures, and other ancillary facilities thereon; and the post-tax expenses of litigation attributable to owners of the Company was approximately RMB177,306,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position. As of 31 December 2023, the Group's cash and bank balance amounted to approximately RMB6,988,731,000. For the year ended 31 December 2023, the net cash flow from operating activities of the Group amounted to approximately RMB2,798,529,000, representing a sound cash flow position.

For the year ended 31 December 2023, the total interest expenses of the Group amounted to approximately RMB272,971,000 (2022: total interest expenses of approximately RMB191,401,000).

GEARING RATIO

The gearing ratio of the Group as of the end of 2023 reduced to 18.6% (2022: 20.6%).

As of 31 December 2023, the total net cash of the Group amounted to approximately RMB2,819,414,000 (2022: net cash of approximately RMB2,473,089,000). 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. The Group has adopted foreign currency hedging instruments to better manage foreign exchange risk. 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 year ended 31 December 2023, the Group had not encountered any material difficulty due to the fluctuation in exchange rates nor had it affected its funds for operation purposes.

Due to the fluctuation in exchange rates, the Company realised a foreign exchange loss equivalent to approximately RMB16,602,000 for the year ended 31 December 2023 (2022: foreign exchange gain equivalent to approximately RMB138,325,000).

MATERIAL INVESTMENTS/FUTURE MATERIAL INVESTMENT PLANS

1. During the Year, the Group continued to invest approximately RMB644,632,000 in the 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 invest RMB770,000,000 to acquire the 38.5% interest in the Songyuan Healthcare Industry Fund (松源健康醫療產業基金), which focuses on the investments in the medical and healthcare sector mainly covering medical devices, biopharmaceuticals, medical services and rehabilitation and elderly care, of which a total of RMB308,000,000 has been contributed.

3. In January 2023, Weigao Orthopaedic, a subsidiary of the Company, acquired 100% equity interest in Shandong Weigao Newlife Medical Device Co., Ltd., a fellow subsidiary of the Company, which is principally engaged in the research and development, manufacture and sale of tissue repair product lines, at a consideration of RMB1,030,000,000. The transfer price is payable in installments, with a payment of RMB721,000,000 during the year and a payment of RMB103,000,000 will be expected to be made in 2024.
4. In 2024, the Group planned to invest approximately RMB200,000,000 in a new production line for pre-filled syringes, which is under the construction process, and is expected to be successively put in operation by 2025.
5. In 2024, the Group planned to further invest approximately RMB320,000,000 in the upgrading and reconfiguration of the single-use consumables and orthopaedic consumables 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 of 31 December 2023.

CAPITAL COMMITMENT

As of 31 December 2023, 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 RMB1,151,986,000 (2022: approximately RMB1,299,231,000). The above amounts will be financed by the internal resources of the Group.

PLEDGE OF THE GROUP'S ASSETS

As of 31 December 2023, the Group had pledged the equity interest in Weihai Jierui Medical Products Company Ltd., Shandong Financial Leasing Company Ltd., and Shanghai Financial Leasing Company Ltd., wholly owned subsidiaries of the Group, as well as certain buildings and land use rights of the Company, to secure the long-term borrowings from International Finance Corporation, and pledged/restricted bank deposits of RMB754,975,000 (2022: RMB694,084,000) to secure short-term borrowing, bills and letters of credit granted to the Group.

The lease financing company pledged account receivables of approximately RMB8,913,000 (2022: RMB17,100,000) to secure bank facilities.

The Group had pledged bills receivable of RMB13,599,000 (2022: RMB107,611,000) to secure bank facilities.

As of 31 December 2023, the loan principal of Argon Medical Devices Holding, Inc. (“Argon”) amounted to US\$311,067,000, which was secured by a security package of 100% equity interest in Argon and its subsidiaries as well as the property, plant and equipment, intangible assets, deposits, trade receivables, cash and bank balances of Argon. In the meantime, the Company provided a guarantee for Argon.

RESERVES AND DISTRIBUTABLE RESERVES

As of 31 December 2023, the total reserves of the Group amounted to RMB21,992,058,000 (2022: RMB21,309,803,000).

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 Hong Kong’s generally accepted accounting principles. As of 31 December 2023, the distributable reserves of the Company were approximately RMB9,212,316,000 (2022: RMB8,315,208,000).

REVIEW AND OUTLOOK

At the beginning of 2023, with the unleashing of epidemic control, the hospital diagnoses and treatment volume recovered gradually. However, the Group’s profit for the whole year was significantly affected due to a combination of the following reasons.

Firstly, ex-factory prices for major products decreased due to the comprehensive implementation of volume-based procurement of orthopedic products, which substantially affected the revenue and net margin of the segment.

Secondly, although the sales volume of general consumables and pharmaceutical packaging products increased significantly, however, due to the impact of price and product structure, the growth in revenue was weaker than sales volume.

Thirdly, the rapid withdrawal of epidemic prevention-related products from the market had affected our overall performance growth for the whole year.

In addition, the year-on-year increase in the US dollar interest rate pushed up the finance costs, which also exerted a certain impact on the Group's profit.

The national healthcare reform policies continued to advance in full implementation, as initiatives such as medical insurance negotiations, centralised pharmaceutical procurement, volume-based procurements of high-value consumables and diagnosis-related groups' payment (DRGs)/diagnosis-intervention packet's payment (DIP), among others, continued to produce a profound impact on the medical industry. The volume-based procurement policies, in particular, have presented some challenges to the Group in the short term, although in the long run, it presents enormous opportunities for development.

In the clinical care segment, the volume-based procurement of different products by various provinces will continue to move forward. Leveraging its prolific product portfolio and extensive market coverage, the Company boasted strong capabilities to counter risks. Through various means such as product upgrading and iteration, sound cost control and mass market expansion, the Company seized opportunities to expand its market share rapidly and enhanced its competitiveness in the industry.

The digitalised clinical care products launched by the Group have enhanced the regulation and standardisation of clinical care and alleviated the magnitude of work of medical staff and reduced staff costs. Such products are widely commended and welcomed by hospitals and medical personnel. We believe that digitalised clinical care products hold immense market prospects and its performance contributions will be achieved one after another. Meanwhile, the digitalised clinical care services, together with the sales of the clinical care series products, represented a good synergy. Therefore, the Group's competitiveness in the industry has been further enhanced.

In the orthopedic segment, facing the continuous deepening of policy impact and the new stage of industry reshaping, the Group grasped the opportunity of reform and continued to facilitate sales model transformation. Our terminal service capabilities improved significantly and customer coverage continued to expand. Integrating with the market and technology development trend as well as clinical feedback, the Group continued to explore and develop new materials, new horizons and new technologies, so as to gradually improve the upstream and downstream orthopedics industrial layout.

In the pharmaceutical packaging business, the market position has been further reinforced. Customer loyalty was strengthened by continuously increasing production capacity to enhance its ability to serve downstream pharmaceutical manufacturers. The Group also grasped the opportunities from downstream enterprise products, business layout and product upgrading to expand sales. In addition, the Group continued to optimise production and supply chain management to reduce costs and adapt to the market environment better. The Group has taken the initiative to make arrangements for new pharmaceutical packaging products and accumulated a large number of customers at the research and development stage.

In the interventional segment, the growth of revenue remained solid. New product arrangement continued, which was quickly introduced to the global markets such as Europe and the United States. The overseas market sales of the interventional segment have laid a sound foundation for the Group's overseas market layout. In addition, the interventional segment accounted for a low revenue share in the domestic market with huge potential for development.

As a leading medical device enterprise in China, the Group is committed to providing medical institutions with total solutions in various professional segments to help them improve their diagnostic and treatment capabilities and standards. The Group continued to expand and enrich its product portfolios in various specialty areas such as respiration and anesthesia, urology, endocrinology, endoscopy diagnosis and treatment, and rehabilitation.

The Group puts the corporate culture of "Conscience, Sincerity and Loyalty" into practice when discharging its corporate and social responsibility. The Group continued to improve and enhance corporate governance and propel strategies for sustainable development to facilitate long-term and high-quality development. As the first healthcare "Green Bond" customer of the International Finance Corporation (IFC) under the World Bank in Asia, the sustainable development strategy of the Group is strongly supported and highly recognised by the IFC. The Group highlights responsible operation and meets public demands for medical products with high-quality products. The Company puts emphasis on compliance operations and advocates fair competition. The Company stresses the green development concept and implements concepts, goals and initiatives in relation to energy conservation and emission reduction in production and operation. The Group advocates gender equality, promotes the rights and interests of female employees and increases the proportion of female executives. Meanwhile, the Group actively provides sound and equal job opportunities for nearly 1,000 disabled people and helps them adapt to society.

The Group formulates development strategies and medium and long-term development plans on a rolling basis. Taking into account the changes in industry policies and the competitive landscape, clinical requirements and its own internal resources reserves, the Company proposed a three-pronged operational strategy of “platform-based”, “internationalised” and “digitalised” development and dual assurance strategies underpinned by “talents” and “innovation”. The Company intends to deliver long-term and stable value through the implementation of such strategies.

In 2023, although the Group’s operating results fluctuated, the management is glad to see strong sales growth in all major products, rapid growth in the Group’s market share and significant improvement in industry influence.

Amid various uncertainties in the macro-environment and international landscape, the management still remains fully confident about the future sustainable development and growth of the Company in the long term.

The management believes that on the back of its strategic presence in a wide range of business sectors and high-quality products, an operational strategy underpinned by persistent market adaptation and a future-oriented approach and initiatives that motivate employee creativity, the Group will continue to maintain and strengthen its leading position in the PRC market. Meanwhile, the Company will actively promote global resource sharing to achieve synergistic development in the domestic and foreign markets to support the stable growth of the Group’s operating results.

EVENT AFTER THE REPORTING PERIOD

On 1 February 2024, certain overseas subsidiaries of the Company have entered into a tranche A financing agreement with a principal loan amount of US\$140,000,000 and a revolving credit facility of US\$50,000,000 and a tranche B financing agreement with a principal loan amount of RMB1,000,000,000. Proceeds from the financing will be used to repay its existing credit facilities and as general working capital.

Save as disclosed above, there is no significant subsequent event after the reporting period.

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.

CHANGE OF BOARD COMPOSITION AND SENIOR MANAGEMENT

Mr. Ni Shili has tender his resignation as an executive director of the Company with effect from 29 December 2023.

Save as disclosed above, there is no change of information on directors and supervisors of the Company during the year ended 31 December 2023 pursuant to Rule 13.51B 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 C3 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 2023 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 26 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four members, including three independent non-executive directors, namely Mr. Li Guohui, Mrs. Meng Hong and Mr. Li Qiang and one non-executive director, namely Mr. Tang Zhengpeng. The Chairman of the Audit Committee is Mr. Li Guohui. 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.

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 of the Company in compliance with Rule 3.13 of the Listing Rules. 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 rights under the Company's articles of association and the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure higher transparency and better protection of shareholders' interest. The Company has complied with the code provision of the Code on Corporate Governance Practices (the "Code") in Appendix C1 of the Listing Rules throughout the year ended 31 December 2023.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Attending and Voting at 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 Wednesday, 22 May 2024 to Tuesday, 28 May 2024 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for attending and voting at 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 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 21 May 2024.

In order to qualify for attending and voting at the Annual General Meeting:–

Latest time to lodge in transfer documents accompanied
by the share certificates for H Shares 4:30 p.m.,
Tuesday, 21 May 2024

Closure of register of members of the Company
for attending and voting at the Annual General Meeting Wednesday, 22 May 2024 to
Tuesday, 28 May 2024
(both days inclusive)

Date of the Annual General Meeting Tuesday, 28 May 2024

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 Wednesday, 5 June 2024 to Tuesday, 11 June 2024 (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 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 4 June 2024.

In order to qualify to entitle the final dividend for the year ended 31 December 2023:–

Latest time to lodge in transfer instrument accompanied

by the share certificates for H Shares 4:30 p.m., Tuesday,
4 June 2024

Closure of register of members of the Company

for entitlement of the final dividend

for the year ended 31 December 2023 Wednesday, 5 June 2024 to
Tuesday, 11 June 2024
(both days inclusive)

Record date for determining the entitlement of the final dividend. Tuesday, 11 June 2024

Expected despatch date of the final dividend. Friday, 12 July 2024

The final dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Friday, 12 July 2024.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2023 of RMB0.0943 (2022: RMB0.079) (before considering any tax effect) per share totaling RMB431,010,628 (2022: RMB361,079,954), which will be subject to the approval of shareholders of the Company at the forthcoming 2023 annual general meeting. The final dividend will be denominated and declared in Renminbi. Final dividend on non-listed domestic shares of the Company, for full circulation H Shareholders and for investors holding the H shares of the Company through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect (the “Hong Kong Stock Connect”) will be paid in Renminbi, and the final dividend for other H Shareholders of the Company will be paid in Hong Kong dollars. The exchange rate for the final dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Renminbi to Hong Kong dollars as announced by the PBOC during the five business days preceding the date of approval of the final dividend at the forthcoming annual general meeting to be held on Tuesday, 28 May 2024 (“Annual General Meeting”). The Company will appoint a receiving agent in Hong Kong and Mainland China respectively and will pay to such receiving agent the final dividend (after deductions of relevant tax, if applicable) declared for payment to Shareholders. The final dividend will be paid by the receiving agent on or before Friday, 12 July 2024. The cheques will be despatched to H Shareholders by ordinary post at their own risks. The payment of the final dividend is subject to the Shareholders’ approval at the Annual General Meeting.

PUBLICATION OF FINANCIAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is available for viewing on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.weigaogroup.com>).

DESPATCH OF 2023 ANNUAL REPORT

The 2023 annual report for the year ended 31 December 2023 will be despatch to shareholders of the Company and is expected to be despatched to shareholders of the Company on or around 29 April 2024.

By Order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Long Jing
Chairman

26 March 2024
Weihai, Shandong Province, the PRC

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

Executive Directors

Mr. Long Jing (*Chairman*)
Mr. Cong Rinan (*Chief Executive Officer*)
Mr. Lu Junqiang

Non-Executive Directors

Mr. Tang Zhengpeng (*Vice Chairman*)
Mr. Chen Lin

Independent non-executive Directors

Mr. Li Guohui
Mrs. Meng Hong
Mr. Li Qiang