Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors (the "Directors") of Shandong Weigao Group Medical Polymer Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

27030278(e) (山東威高)

SUMMARY

For the nine months ended 30 September 2007, the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company" and together with its subsidiaries, the "Group") was approximately RMB777,387,000, representing an increase of approximately 36.8% over RMB568,110,000 in the corresponding period of the previous year.

Unaudited profit attributable to the shareholders for the nine months ended 30 September 2007 has achieved a record high at approximately RMB198,596,000, representing an increase of approximately 75.6% from approximately RMB113,064,000 in the corresponding period of the previous year.

Remarkable results have been achieved from the adjustment to the Group's product mix. The operating results of Shandong JW Medical Systems Limited ("JW Medical"), the jointly controlled entity of the Company, continued to grow, and contributed a profit of RMB42,922,000 to the Group, representing an increase of 139.8% over the corresponding period of the previous year.

Shandong Weigao Orthopaedic Device Company Limited ("Weigao Orthopaedic"), a subsidiary of the Company, has broadened its product registration certificate to include artificial joints, and market has been expanding steadily. For the nine months ended 30 September 2007, the unaudited turnover of Weigao Orthopaedic was approximately RMB71,461,000, representing an increase of approximately 50.9% over approximately RMB47,357,000 in the corresponding period of the previous year.

The market share of the Group's needle products has been growing rapidly, and generated sales of RMB89,058,000 during the period, representing a growth of 171.3% over the corresponding period of the previous year, contributed significantly to the profit of the Group.

During the period, integration of sales channels continued. The number of customers increased by 35 hospitals and 4 blood stations and a number of small community medical units were transferred to be covered by distributors. Distributors that were less competitive were being phased out, thereby the number of other medical units decreased by 39, and corporate customers reduced by 48. As at 30 September 2007, the Group has a customer base of 5,430.

The board of Directors (the "Board") did not propose to declare an interim dividend for the nine months ended 30 September 2007.

27030278(e) (山東威高)

UNAUDITED CONSOLIDATED RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the nine months ended 30 September 2007, together with the comparative figures for the corresponding period in 2006 as follows:

Condensed Consolidated Income Statement

		Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
		2007	2006	2007	2006
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	3	777,387	568,110	306,663	215,602
Cost of sales		(434,313)	(325,548)	(164,849)	(123,497)
Gross profit		343,074	242,562	141,814	92,105
Other income		25,327	15,963	10,561	5,330
Distribution costs		(116,476)	(90,120)	(42,882)	(34,473)
Administrative expenses		(56,927)	(45,704)	(23,274)	(18,502)
Finance costs	5	(14,909)	(15,244)	(3,365)	(5,304)
Share of results in a jointly controlled company		42,922	17,901	18,285	13,337
Profit before taxation	6	223,011	125,358	101,139	52,493
Taxation	7	(10,082)	(4,070)	(7,443)	(1,495)
Profit for the year		212,929	121,288	93,696	50,998
Profit attributable to:					
Equity holders of the Company	8	198,596	113,064	87,745	48,645
Minority interests		14,333	8,224	5,951	2,353
		212,929	121,288	93,696	50,998
Dividend					
Dividend paid		32,853	19,311	—	—
Proposed dividend	9	33,849	19,311	—	—
Earnings per share (Basic)	10	RMB0.202	RMB0.117	RMB0.088	RMB0.050

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), Accounting Principles Generally Accepted in Hong Kong, Hong Kong Financial Reporting Standards (the "HKFRS") and the relevant disclosure requirements of the GEM Listing Rules. The accounts are prepared under the historical cost convention.

The accounting policies adopted and methods of computation used in the preparation of these unaudited consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2006.

During the period, the Group has for the first time applied the new and amended Hong Kong Financial Reporting Standards ("new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2006, 1 May 2006, 1 June 2006, 1 November 2006 or 1 January 2007. The adoption of the new HKFRSs had no material effect to the presentation of the results for the current accounting periods and/or previous accounting years. Therefore, no adjustment is required to be made to the previous periods.

All significant intra-group transactions, balances, income and expenses have been eliminated upon consolidation.

The consolidated results for the nine months ended 30 September 2007 have not been audited by the Company's auditor but have been reviewed by the Audit Committee of the Company.

These financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2006.

3. Revenue

Revenue represents the fair value of the consideration received and receivable for goods sold by the Group to external customers, less sales tax and sales returns during the period.

4. Segment Information

The Group is principally engaged in the research and development, production and sale of single-use medical devices and operates in the PRC. All significant identifiable assets of the Group are located in the PRC. Accordingly, no segmental analysis is presented.

5. Finance costs

Finance costs for the nine months ended 30 September 2007 were approximately RMB14,909,000 (corresponding period in 2006: approximately RMB15,244,000), which mainly included interests expenses for bank and other borrowings.

27030278(e) (山東威高)

6. Profit from operations

Profit from operations has have been arrived at after charging (crediting) the following:

	Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
	2007	2006	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for bad debts	5,360	3,729	1,653	1,371
Depreciation and amortisation	36,330	29,371	12,550	10,736
Prepaid lease payments charged to income statement	1,444	1,046	559	349
Rental payments in respect of premises under operating leases	2,875	2,845	1,016	862
Research and development expenditure	12,489	8,509	4,444	3,238
Cost of inventory recognised as expenses	434,313	325,548	164,849	123,497
Staff costs, including directors' remuneration				
- Retirement benefits scheme contributions	18,874	15,215	7,828	5,168
- Wages and salaries	77,525	59,951	29,555	21,815
Total staff costs	96,399	75,166	37,383	26,983
Losses from foreign exchange	505	105	293	60
(Gains)/losses on disposal of property, plant and equipment	(93)	(79)	0	34
Interest income	(651)	(562)	(380)	(239)
Rebate of value-added tax ("VAT")*(Note)*	(21,897)	(11,511)	(9,251)	(3,656)

Note: The Tax Bureau in Weihai granted refund on the VAT effectively paid by 威海潔瑞醫用製品有限公司 (Weihai Jierui Medical Products Company Limited) ("Jierui Subsidiary") on the basis of "payment first then rebate", with effect from 1 May 1999.

27030278(e) (山東威高)

During the period, changes have been made to the preferential policy in respect of Value Added Tax ("VAT") of social welfare enterprises by the PRC government. With effect from 1 July 2007, the Tax Bureau in Weihai implemented tax refunds on the VAT actually paid based on the number of employees with disability employed by Jierui Subsidiary and the refund limit for every employee with disability was based on six times of the local lowest standard wages approved by Weihai People's Government, and the annual refund of each employee with disability shall be subject to a maximum of RMB35,000. The changes in the tax policy has an impact on the revenue from other operations of Jierui Subsidiary for accounting periods subsequent to 1 July 2007.

7. Taxation

No provision for Hong Kong and overseas profit tax has been made as no taxable profit has been derived from Weigao International Medical Company Limited and Weigao Medical (Europe) Company Limited, the Group's overseas branches.

PRC Income tax is calculated based on the taxable amount, which is obtained by making corresponding adjustments to the accounting income for the current year based on the relevant requirements under the PRC Tax Law.

The Company is recognised as a "High and New Technology Enterprise". In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", the Company was subject to income tax at a tax rate of 15%. For the one and a half profit making financial year from 1 July 2004 to 31 December 2005, the Company is entitled to an exemption from PRC income tax, followed by a 50% tax relief for the following three years. The tax charges provided for the period from 31 July 2004, up to 30 September 2007 were made after taking these tax incentives into account.

In accordance with the "Notice of Recognition of Weihai Jierui Medical Products Company Limited as a Social Welfare Entity" issued by the Civil Administration Bureau of Shandong Province, Jierui Subsidiary is recognised as a "Social Welfare Entity" and is exempted from the PRC income tax for the period from 1 January 2007 to 30 June 2007, and with effect from 1 July 2007, shall be subject to PRC income tax at statutory tax rates, while twice the amount of wages for employees with disability shall be deducted from the taxable incomes. In 2006, Jierui Subsidiary was recognised as a "High and New Technology Enterprise", and in accodance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", Jierui Subsidiary is subject to income tax at of 15% from 1 July 2007.

27030278(e) (山東威高)

Shandong Weigao Orthopaedic Device Co., Ltd. ("Weigao Orthopaedic") is a foreign-invested enterprise operating in the PRC and is entitled to an exemption from PRC income tax for the two years starting from its first profit making year, followed by a 50% tax relief for the next three years. Tax provisions for the nine months ended 30 September 2007 has been made based on such tax preferential policies. In 2006, Weigao Orthopaedic was recognised as a "High and New Technology Enterprise", and in accodance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", Weigao Orthopaedic is subject to a tax rate of 15%.

Taxation for other subsidiaries are calculated at a tax rate of 33%.

8. Profit attributable to equity holders of the Company

For the nine months ended 30 September 2007, the net profits attributable to equity holders of the Company were approximately RMB198,616,000 (Corresponding period in 2006: RMB113,064,000).

9. Dividend

There were no dividend for the three months ended 30 September 2007 and the corresponding period in the previous year.

10. Earnings per share

For the nine months ended 30 September 2007, basic earnings per share were calculated based on profits attributable to equity holders of the Company of approximately RMB198,596,000 (Corresponding period in 2006: approximately RMB113,064,000), and on the weighted average total number of 982,227,000 shares (Corresponding period in 2006: 965,560,000 shares).

No diluted earnings per share is presented for the three months and nine months ended 30 September 2007, as no potential ordinary shares were outstanding during the period.

MOVEMENTS IN RESERVES

THE GROUP	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 (Note b)	Statutory public welfare fund RMB'000 (Note c)	Retained earnings RMB'000	Total RMB'000
As at 1 January 2005	126,848	19,560	9,780	125,959	282,147
Issue of Domestic Shares	42,184	—	—	—	42,184
Issue of H Shares	69,053	—	—	—	69,053
Share issue expenses	(4,333)	—	—	—	(4,333)
Total profit and revenue recognised during the year	—	—	—	101,200	101,200
Dividend paid	—	—	—	(20,366)	(20,366)
Appropriation	—	14,733	7,367	(22,100)	—
As at 31 December 2005	233,752	34,293	17,147	184,693	469,885
Total profit and revenue recognised during the year	—	—	—	170,921	170,921
Dividend paid	—	—	—	(38,622)	(38,622)
Appropriation	—	36,033	(17,147)	(18,886)	—
As at 31 December 2006	233,752	70,326	—	298,106	602,184
Issue of H Shares	387,417				387,417
Share issue expenses	(3,801)				(3,801)
Total profit and revenue recognised during the year	—	—	—	198,596	198,596
Dividend paid	—	—	—	(32,853)	(32,853)
Appropriation	—	—	—	—	—
As at 30 September 2007	617,368	70,326	—	463,849	1,151,543
Representing:					
Proposed interim dividend as at 30 September 2007					33,849
Reserves					1,117,694

(a) Bases for appropriation to reserves

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

(b) Statutory surplus reserve

The Articles of Association of the Companies under the Group requires that 10% of the profit after taxation should be transferred to the statutory surplus reserve in accordance with the PRC GAAP, until it has reached 50% of the registered capital. Pursuant to the Articles of Association of the Companies under the Group, under normal circumstances, statutory surplus reserves can only be used to make up for losses, convert into share capital by way of capitalisation, and for the expansion of the Company's production and operation. In the event of conversion of the statutory surplus reserve into share capital by way of capitalisation, the balance of the reserve shall not be less than 25% of the registered capital.

(c) Statutory public welfare fund

According to the Company Law and regulations of the PRC and the amended Articles of Association of the Company, from 1 January 2006, the companies under the Group ceased to transfer from statutory public welfare fund. As at 31 December 2005, the statutory public welfare fund is part of the share capital of the shareholders, which cannot be distributed other than for the purpose of liquidation. The Board of Directors resolved that under the Company Law of the PRC, the statutory public welfare fund of RMB17,147,000 as at 1 January 2006 was transferred to the statutory surplus reserve.

According to the laws and regulations of the PRC, distributable profit of the Company was determined at the lower of such amount calculated based on the accounting principles and regulations of the PRC or the generally accepted accounting principles of Hong Kong. As at 30 September 2007, retained earnings distributable to shareholders was approximately RMB226,192,000.

27030278(e) (山東威高)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

International collaboration

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

During the period, the Group achieved significant progress in discussion regarding collaboration with international players and financial institutions.

(1) On 2 March 2007, the Company entered into an eight years long term loan agreement for US$20 million with International Finance Corporation ("IFC"), a member of World Bank Group. As at the date of this announcement, the Company has not drawn down any amount. This cooperation can strengthen the Company's financing capability.

(2) On 11 March 2007, the Company signed a non binding letter of intent with Medtronic, Inc ("Medtronic") in relation to the proposed investment in the Company by Medtronic of up to a 15% of the enlarged issued share capital of the Company in the form of a combination of existing domestic shares and new H shares to be issued ("Proposed Investment"). In connection with the Proposed Investment, the parties intend to explore various business cooperation opportunities in manufacturing and distribution in other sectors. Medtronic is the global leader in medical technology. On 10 September 2007, both the Company and Medtronic reaffirmed the Proposed Investment and agreed to extend the period for exclusive negotiation until 17 December 2007. Discussions between the Company and Medtronic relating to operational co-operation in manufacturing and distribution in the spinal, artificial joints and trauma sectors in the PRC in the form of a proposed joint venture continues and both parties continue to explore other cooperation opportunities in the PRC.

As at the date of this announcement, both parties continued their negotiations on cooperation in the areas of manufacturing and distribution and it is expected to finalize a definitive agreement in relation to the Proposed Investment by 17 December 2007.

These international collaborations will further expand the Group's business and strengthen research and development capabilities. Leverage our customer resources in the PRC market and manufacturing capabilities, business collaboration with international players lays a solid foundation for the Group to be the leader in medical device industry in Asia.

Optimisation Adjustments to Business and Product Mix

During the period, the Group continued to focus on adjustments to optimise business and product mix and increase in capital expenditure strategically. The Group focused on the business development of orthopaedic products, blood purification products and drug eluting stents. The Group increased the sales and marketing effort on the products of intravenous catheter, high-end infusion sets and auto disable syringes and phased out the production of low value-added products. It achieved remarkable result.

During the period, Weigao Orthopaedic, a subsidiary of the Company, solidly expanded its market, and developed international markets in America and Europe. For the nine months ended 30 September 2007, Weigao Orthopaedic recorded a turnover of RMB71,461,000, representing an increase of 50.9% over the corresponding period of last year.

Due to capacity constraint, expansion of orthopaedic market was affected. As at the date of this announcement, the Group invested RMB80,000,000 to land to develop Weigao Orthopaedic Industrial Park phase II. Construction has been commenced and is anticipated to be put into operation in the first half of 2008.

During the period, in order to meet the demands for medium to low end products in the PRC market, Weigao Orthopaedic acquired 51% equity interests in 常州健力邦德醫療器械有限公司 (Changzhou Jianli Bangde Medical Devices Co. Ltd) ("Jianli Bangde") which has excellent management team and ten orthopaedic product registration certificates. Acquisition of Jianli Bangde enhance the operation of Weigao Orthopaedic and broaden its product lines. The acquisition will further strengthen the competitiveness of Weigao Orthopaedic in the medium to low end trauma products, and expand its market coverage.

In order to expand the product lines of Weigao Orthopaedic, and to expedite the launching of artificial joint products, Weigao Orthopaedic acquired 北京亞華人工關節開發公司 (Beijing Yahua Artificial Joints Development Company) ("Beijing Yahua") which has product registration certificates for three artificial joint products and three spinal products. The acquisition enabled Weigao Orthopaedic to become one of the few orthopaedic companies in the PRC capable of producing artificial joint products, and enhanced competitiveness of Weigao Orthopaedic.

威海威高血液淨化製品有限公司 (Weihai Weigao Blood Purification Product Company Limited) ("Weigao Blood") is in the process of obtaining product registration for plasma segregator, lavage set and recombinant protein adsorption column. During the period, Weigao Blood invested Euro9,950,000 (equivalent to approximately RMB105,780,000) to purchase a polymer membrane dialysis device production line. It is anticipated that the production line will be put into operation in the second half of 2008.

Production and sales of drug eluting stents by JW Medical, which is 50% held by the Company, recorded significant growth during the period. Development of international sales is progressing well. During the period, the attributable profit of JW Medical to the Group was approximately RMB42,922,000, representing an increase of approximately 139.8% over the corresponding period in last year. Construction works of the production base which JW Medical invested at the end of last year (approximately RMB25,554,000) are still in progress and is anticipated to be put into operation in the first half of 2008.

The Group's needle products, such as intravenous catheters, have strong growth potentials. During the period, the raw needle tube production line invested by the Group operated smoothly. The Group extended the needle product chain and successfully raised the profit margin of intravenous catheters. At the same time, the Group increased its efforts in the marketing and sales of needle products, driving record sales of approximately RMB89,058,000, representing a growth of 171.3% compared with the corresponding period of last year.

Research and Development

For the nine months ended 30 September 2007, the Group obtained 11 new patents and is applying for 26 new patents. Product registration certificates for 18 new products were obtained and application for registration for 16 newly developed products are underway. By placing strong emphasis on research and development, it enhances the Group's competitiveness and allows the Group to leverage on its customer base and to provide the Group with new growth drivers.

For the nine months ended 30 Septebmer 2007, the total research and development expenses amounted to approximately RMB12,489,000, representing 1.6% of the total turnover of the Group.

27030278(e) (山東威高)

During the period, the Company cooperated with School of Business Administration of University of Essex in United Kingom and established Weigao Europe Research Center so as to track the latest research results and technology in the international medical device industry, and to enhance the Group's research and development.

During the period, six R&D products such as the titanium mesh, spinal fixing system and metal locking bone plate developed by Weigao Orthopaedic, commericalisation of protein A immunity adsorption column and fibre blood plasma segregator developed by Weigao Blood, and improved polyethylene special material for infusion developed by Jierui Subsidiary have been accredited with Provincial Technology Innovation Excellent Awards, and the results of the researches have attained international advanced standard.

During the period, the preparation set for platelet-rich plasma, catheter for embryo transplants, oocytes sampling system was appraised by Science and Technology Bureau of Shandong Province to be of leading level in the PRC.

As at 30 September 2007, the Group produces over a range of products over 140 types with approximately 100 patents. During the period, the tightening in production registration reviews by the medical registration regulatory authorities affected the process of obtaining approvals for product registration but the Directors consider that it provides opportunities in industry consolidation.

Production

For the nine months ended 30 September 2007, production volume of the Group's products as compared with the corresponding period in 2006 were as follows:

(1) approximately 177,740,000 sets of single-use sterile infusion (transfusion) sets, increased by 8.5%;

(2) approximately 341,540,000 sets of single-use sterile syringes, increased by 31.6%;

(3) approximately 10,310,000 sets of single-use sterile blood transfusion consumables (including blood bag products), increased by 15.0%;

(4) approximately 1,520,000 sets of single-use sterile dental and anesthetic products, increased by 6.6%;

(5) approximately 62,330,000 sets of blood sampling products, increased by 12.0%;

(6) approximately 1,323,970,000 sets of medical needle products, increased by 50.5%;

(7) approximately 8,857 tones of PVC granules, increased by 26.6%;

(8) approximately 675,000 pieces of orthopaedic materials, decreased by 27.5% (note);

(9) approximately 92,996,000 sets of other products, increased by 55.5%.

Note: Reduction in the production of orthopaedic products was mainly due to the adjustment in product mix, increased in the proportion of high value-added products, and the increase in stock reserves in newly launched products in the corresponding period in 2006 so as to satisfy market sales.

27030278(e) (山東威高)

With the Enterprise Resource Planning system implemented, the Group has strengthened its management on production planning. It has been more effective in controlling production output and reducing working capital tied up in consumable products.

At the same time, the Group increased the production of the proportion of high value-added products, and phased out the production of low value-added products. This has raised profit contribution from individual items and ultimately increased the Group's overall profitability.

Marketing and Sales

The Group's trademark of "Jierui" was accredited as "China Top Brand" by China Promotion Committee for Top Brand Strategy, thereby making the Group to become the first enterprise in the medical device industry in the PRC to possess both "China Reputable Brand" and "China Top Brand" at the same time.

During the period, the Company invested RMB3,826,000 to establish Weigao Medical (Europe) Co., Ltd. in order to explore European medical device market, and increase the proportion of overseas revenues.

During the period, the Group increased the resources in promoting the brand through different advertising channels, including internet advertising, print and TV commercials, thereby promoting the Group's sale and marketing.

The results from the integration of the Group's sales channel and adjustment in product mix has been remarkable.

During the period, the Group strengthened its sales management system, integrated customers resources, phasing out low profitability customers. For the nine months ended 30 September 2007, the Group has secured 35 hospitals and 4 blood stations as new customers, and a number of small community medical units were transferred to be covered by distributors. Distributors that were less competitive were being phased out, thereby the number of other medical units decreased by 39, and corporate customers reduced by 48. So far, the Group has a customer base of 5,430 (including 2,802 hospitals, 412 blood stations, 703 other medical units and 1,513 trading companies).

Integration of channels has strengthened the Group's market penetration and the customer relationship with high-end customers. It enhanced contribution and reduced the selling expenses of a single customer. The average turnover of single customer increased by approximately 35.6% over the corresponding period of last year.

Comparison of the sales by geographical areas over the corresponding period in the previous year is set out as follows:

Revenue by geographical segments
As at 30 September

Region	2007		2006		Growth
	RMB'000	*%*	*RMB'000*	*%*	*%*
Northeast	113,684	14.6	98,991	17.4	14.8
Northern	158,859	20.4	132,739	23.4	19.7
Eastern and Central	301,205	38.7	195,705	34.4	53.9
Southwest	54,259	7.0	30,189	5.3	79.7
Northwest	27,452	3.5	23,902	4.2	14.9
Southern	81,711	10.5	58,321	10.3	40.1
Overseas	40,217	5.2	28,263	5.0	42.3
Total	777,387	100.0	568,110	100.0	36.8

Adjustment in product mix is another important factor in enhancing the results for the period. During the period, the Group focused on sale and marketing of high value-added products such as orthopaedic products, intravenous catheter needles, CT developer sterile syringes and pain killing pumps. It has significantly increased the proportion of sales generated from high value-added products. Comparison of the sales of the principal products with that of the previous period is set out as follows:

	For the nine months ended 30 September		
Product category	**2007**	2006	Growth
	RMB'000	*RMB'000*	%
Self-produced products			
Consumables			
Infusion set/transfusion set	**194,587**	161,207	20.7
– Syringes	**167,909**	131,311	27.9
– Blood bags	**71,914**	61,505	16.9
– Dental and anesthetic consumables	**10,289**	8,401	22.5
– Blood sampling products	**17,485**	14,265	22.6
– Medical needles	**89,058**	32,831	171.3
– Other consumables	**63,077**	40,758	54.8
	614,319	450,278	36.4
Subtotal for consumables			
Orthopaedic products	**71,461**	47,357	50.9
Blood purification consumable	**10,072**	6,517	54.5
PVC granuless	**53,876**	39,702	35.7
Trading			
Medical equipment	**23,720**	22,682	4.6
Other products	**3,939**	1,574	150.3
Total	**777,387**	568,110	36.8

HUMAN RESOURCES

As at 30 September 2007, the Group employed a total of 5,329 employees. Breakdown by departments is as follows:

Departments	Number of employees
Research and development	152
Sales and marketing	670
Production	4,152
Purchasing	27
Quality control	88
Management	56
Finance and administration	184

During the period, the Group automated a number of production process and technological renovation, thereby significantly enhanced production efficiency, and reduced the number of production workers.

Save as the qualified accountant and the company secretary, who reside in Hong Kong, all employees of the Group resided in the PRC. For the nine months ended 30 September 2007, total amount of staff salaries, welfare and various funds amounted to approximately RMB96,399,000.

27030278(e) (山東威高)

FINANCIAL REVIEW

Financial Summary

During the reporting period, the Group recorded significant growth in both turnover and net profit attributable to shareholders.

For the nine months ended 30 September 2007, unaudited turnover and net profit recorded by the Group were approximately RMB777,387,000 and RMB198,616,000 respectively, representing a growth of 36.8% and 75.8% as compared with approximately RMB 568,110,000 and RMB113,064,000 in the corresponding period of 2006 respectively.

The significant growth in turnover and profit was mainly due to the adjustments to the business and product mix, enhancement in the operation efficiency and efforts in exploring new businesses.

Liquidity and Financial Resources

The Group has maintained a sound financial position for the nine months ended 30 September 2007. As at 30 September 2007, the Group had a cash balance of approximately RMB322,912,000.

During the period, the Group obtained additional bank borrowings of approximately RMB209,538,000 and repaid bank borrowings of approximately RMB304,043,000. As at 30 September 2007, the total amount of short-term loans was approximately RMB71,538,000 and the total amount of long-term loans was approximately RMB220,000,000.

Total interest expense of the Group during the period was approximately RMB14,909,000.

27030278(e) (山東威高)

Gearing Ratio

As at 30 September 2007, the Group has a surplus of total cash over total interest bearing liabilities, with a total net cash amount of RMB31,374,000. During the corresponding period in 2006, the Group's gearing ratio was 0.35, calculated on the basis of the Group's net borrowings (after deducting cash and bank balance) over total capital attributable to shareholders. Decrease in gearing ratio was mainly due to the Groups' issue of H shares and the net profits generated by the Group during the period.

Foreign Exchange Risks

The Group's purchases and sales are mainly conducted in the PRC. Its assets, liabilities and transactions are mainly denominated in RMB. During the period, the Group has not encountered any material difficulty due to currency fluctuation nor shortage of operating funds. For the nine months ended 30 September 2007, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 September 2007.

Material Investments and future material investment plans

On 19 April 2007, the Company placed 30,000,000 new H Shares. The net proceeds from the placing is approximately HK$394,500,000, which have been and will be used for expansion of production capacity of orthopaedic products, stents, blood purification products and other consumables, and for additional working capital.

27030278(e) (山東威高)

During the period, Weigao Orthopaedic acquired 51% equity interests in 常州健力邦德醫療器械有限公司 (Changzhou Jianli Bangde Medical Devices Co. Ltd) which had excellent management team and ten orthopaedic product registration certificates at a consideration of RMB 6,000,000. Acquisition of Jianli Bangde enhanced the operation of Weigao Orthopaedic and broadened its product lines. The acquisition further strengthens the competitiveness of Weigao Orthopaedic in the medium to low end trauma products.

Due to capacity constraint, expansion of orthopaedic market expansion was affected. As at the date of this announcement. The Group invested RMB80,000,000 in the end of the last year to develop Weigao Orthopaedic Industrial Park Phase II. The construction and the relocation of workshop have been completed. During the period, the Group's proposed investment of constructing Weigao Orthopaedic Industrial Park Phase II has been and the operation is expected to be put into operation in the first half of 2008.

In order to improve our cost and production efficiency, and to expedite the launching of artificial joint product, Weigao Orthopaedic invested RMB44,000,000 to aquire 北京亞華人工關節開發公司 (Beijing Yahua Artificial Joints Development Company) ("Beijing Yahua") which has product registration certificates for three artificial joint products and three spinal products. The acquisition will enable Weigao Orthopaedic to become one of the few orthopaedic companies in the PRC capable of producing and marketing artificial joint products. The acquisition enhanced the competitiveness of Weigao Orthopaedic. As at the date of this announcement, an amount of RMB30,000,000 has been paid for the acquisition.

During the period, Weigao Blood invested Euro9,950,000 (approximately RMB105,780,000) to purchase a polymer membrane dialysis device production line. It is anticipated that the production line will be put into operation in the second half of 2008. A down-payment of RMB28,138,000 has been made.

27030278(e) (山東威高)

Prior to 2006, the Company Law in the PRC required companies to have at least 2 shareholders. As such, when Jierui Subsidiaries was established in 1999, Weigao Holding and the Company became the shareholders of Jierui Subsidiary. As Jierui Subsidiary is an integral part of the Group, a simplified structure is in the interest of the Group. The Company invested RMB40,000,000 for the acquisition of 4% interest in Jierui Subsidiary held by Weigao Holding. As at the date of this announcement, a down payment of RMB20,000,000 has been made. Jierui Subsidiary is mainly engaged in the manufacture and sales of needle products, packaging materials and polyethylene granules.

Save for the above material investments and investment plans, there are no material capital commitments or any plans of significant investments or capital assets in the near future as at 30 September 2007, and there are no material acquisition and disposal in any other subsidiary and associate during the period.

Capital Commitments

As at 30 September 2007, the capital commitments of the Group contracted but not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB181,410,000, including the outstanding amount in respect of the acquisition of Orthopaedic Industrial Park Phase II and polymer membrane dialyser production line. The amounts will be paid by the Group out of the proceeds from the issue of shares and the internal resources of the Group.

27030278(e) (山東威高)

OUTLOOK

On an outlook to the future, the Directors expect that with the increase in awareness in healthcare and demand in medical treatment, it will drive the rapid growth of the single-use medical devices in the PRC. At the same time, the Directors anticipate that process of restructuring of the medical device industry in the PRC will continue and intensify, presenting opportunities and risks.

With the tightening in product registration reviews by the medical registration regulatory authorities, approval for registration of new products, in particular high value-added medical devices, will be significantly affected. The delay in process will directly lead to the increase in the risk of new product development and extension of investment period. In respect of medium and small enterprises, risk of investment and development will be higher. The Directors expect that the registration reviews will affect the Group in launching new products. At the same time, it will provide opportunities in industry consolidation. The Group will leverage its capital and management to take advantage of the market consolidation.

Facing with the continued adjustment of the national tax policies and the increase in uncertainties in the adjustments, the Directors expect that the tax management will be a key aspect in the Company's management. The Company has made necessary arrangements for the adjustments in the tax policies so as to minimise the impact from the changes in the tax policies.

27030278(e) (山東威高)

Facing with the intense market competition and pressure of rising operation costs, the Group will focus its operation strategies on the following:

1. Accelerating international collaborations to enhance competitiveness. Cooperation with Medtronic is the beginning of the Group's international collaborations. The Group will continue to explore cooperation opportunities with leading international medical device manufacturers by leveraging on the Group's advantage in low cost manufacturing, strong research capabilities and extensive sales network in the PRC, so as to enlarge its market share and speed up the process of internationalization of the Group.

2. Apply the proceeds from placement in expanding the production capacity, speed up construction, ensuring smooth construction of the phase II orthopaedic industrial park, drug eluting stent production base and procurement of production facilities of blood purification.

3. Adjustments to the product mix, focusing on the developing the market of high value-added products, including intravenous catheter needles, drug eluting stents, orthopaedic products, CT developer sterile syringe, and increasing the rate of contribution of each product type to the Group's profit.

4. Strengthening on market strategies to continue adjusting the sales channel, gradually shifting direct sales to customers of single products with low profitability and high maintenance cost over to distributors, at the same time gradually promoting direct sales of drug eluting stents and orthopaedic products to high-end customers.

27030278(e) (山東威高)

5. Strengthening on management of market resources allocations, developing new customers and exploit potentials with existing customers, increasing marketing activities, expanding sales team and developing a strong sales network leading to continuous sales growth.

6. Improving management process, expediting technology renovations and strengthening budget management control and the Manufacturing Resources Planning II to better manage cost control and production.

7. With the changes in the competitions in the PRC market, by leveraging the Group's advantages in capital base, brand recognition, management and distribution strengths, to actively participate in the mergers and acqusitions, and continue its expansions and strengthening its competitiveness, so as to consolidate the Group's leading position in the market.

27030278(e) (山東威高)

DISCLOSURE OF INTERESTS

Directors' Interests and Long Positions in Shares

As at 30 September 2007, the interests of Directors and their associates in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to theCompany and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(1) Long positions in domestic shares of RMB0.10 each of the Company:

Name of Director	Capacity	Number of domestic shares	Approximate percentage of the Company's issued share capital
Mr. Zhang Hua Wei	Beneficial owner	10,800,000	1.08%
Mr. Miao Yan Guo	Beneficial owner	7,800,000	0.78%
Mr. Wang Yi	Beneficial owner	7,800,000	0.78%
Mrs. Zhou Shu Hua	Beneficial owner	5,100,000	0.51%
Mr. Wang Zhi Fan	Beneficial owner	2,700,000	0.27%
Mr. Wu Chuan Ming	Beneficial owner	2,400,000	0.24%

In addition, Mr. Chen Lin, son of Mr. Chen Xue Li (the Chairman), is a holder of the Company's domestic shares, holding 23,400,000 Domestic Shares, representing 2.35% of the issued share capital.

27030278(e) (山東威高)

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

Name of Director	Capacity	Amount of registered capital	Approximate percentage of the registered capital of Weigao Holding
Mr. Chen Xue Li	Beneficial owner	36,600,000	30.00%
Mr. Zhang Hua Wei	Beneficial owner	29,280,000	24.00%
Mrs. Zhou Shu Hua	Beneficial owner	14,579,000	11.95%
Mr. Miao Yan Guo	Beneficial owner	7,320,000	6.00%
Mr. Wang Yi	Beneficial owner	7,320,000	6.00%
Mr. Wang Zhi Fan	Beneficial owner	2,610,800	2.14%
Mr. Wu Chuan Ming	Beneficial owner	2,257,000	1.85%

Save as disclosed above, as at the date of this announcement, none of the Directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

27030278(e) (山東威高)

SUBSTANTIAL SHAREHOLDER

As at 30 September 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO recorded that other than the interests disclosed above in respect of certain Directors, the following shareholder had notified the Company of relevant interest in the issued share capital of the Company.

Name of shareholder	Capacity	Number of domestic shares	Approximate percentage of the Company's issued share capital
Weigao Holding	Beneficial owner	578,160,000	58.07%

Save as disclosed above, as at the date of this announcement, the Company has not been notified of any relevant interests or short positions in the issued share capital of the Company.

SPONSORS' INTERESTS

Goldbond Capital (Asia) Limited ("Goldbond") has been appointed as the compliance adviser of the Company from 24 July 2004 until extension of the appointment by the letter dated 19 January 2007 to expire on the date of release of 2006 financial results.

As at the date of release of the 2006 financial results, neither Goldbond nor its directors or employees or associates (as referred to in note 3 of Rule 6.35 of the GEM Listing Rules) had any interest in the Company and any other companies of the Group.

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

Since the commencement of dealings in the H shares of the Company on GEM on 27 February 2004, the Company and its subsidiaries did not purchase, sell or redeem any listed shares of the Company, except for the placing of 52,900,000 new H shares of the Company on 30 November 2005 and placing of 30,000,000 new H shares of the Company on 19 April 2007.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard of corporate governance. The Board considers that this is the commitment necessary to balance the interests among the shareholders, customers and the employees, as well as maintaining accountability and transparency.

The Board considers that the Company has complied with all the provisions as set out in the Code on Corporate Governance Practices in Appendix 15 of the GEM Listing Rules during the period.

Audit Committee

The Company has set up an Audit Committee (the "Committee") on 1 September 2002 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Company. The Committee comprises Messrs. Luan Jian Ping, Mr. Shi Huan, Mr. Lau Wai Kit ("Mr. Lau"), Mr. Li Jia Miao, being independent non-executive Director and Mrs. Zhou Shu Hua, a non-executive Director. Mr. Lau is the chairman of the Committee.

27030278(e) (山東威高)

The Company's financial statements for the nine months ended 30 September 2007 have been reviewed by the Committee. The Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and other laws, and disclosures have been made.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the 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.

Arrangements to Purchase Shares or Debentures

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

COMPETING INTERESTS

So far as the Directors are aware, as at 30 September 2007, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates has an interest in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

27030278(e) (山東威高)

CODE OF MODEL CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2007, the Company had adopted the code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and the model code of conduct regarding securities transactions by Directors.

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

Weihai, Shandong, the PRC
13 November 2007

As at the date of this report, the Board comprises Mr. Zhang Hua Wei, Mr. Miao Yan Guo, Mr. Wang Yi, Mr. Wang Zhi Fan and Mr. Wu Chuan Ming as the executive Directors, Mr. Chen Xue Li and Mrs. Zhou Shu Hua as the non-executive Directors, and Mr. Luan Jian Ping, Mr. Shi Huan, Mr. Li Jia Miao and Mr. Lau Wai Kit as the independent non-executive Directors.

27030278(e) (山東威高)