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山東威高集團醫用高分子製品股份有限公司

Shandong Weigao Group Medical Polymer Company Limited *

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

(Stock Code: 1066)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

SUMMARY

For the year ended 31 December 2014 (the "Year"), the turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company" and together with its subsidiaries, the "Group") was approximately RMB5,277,827,000 (2013: RMB4,613,310,000), representing an increase of 14.4% over the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB988,952,000 (2013: net profit attributable to the owners of the Company (excluding extraordinary items) of approximately RMB890,891,000), representing an increase of approximately 11.0% over the previous year.

During the Year, the performance of the Group in three business segments was as follows:

- (1) turnover of medical consumables of the Group reached RMB3,956,722,000 for the year ended 31 December 2014, representing an increase of 11.6% when compared with the previous year;
- (2) turnover of orthopaedic business for the Year was approximately RMB591,830,000, representing an increase of 17.0% when compared with the previous year and representing a growth of 24.5% in orthopaedic business if excluding the impact of decrease in OEM orders and the postponement of orders in the fourth quarter of 2012 to the first quarter in 2013 due to the dissolution of the Distribution Joint Venture with Medtronic;

* For identification purpose only

The winding up of the Distribution Joint Venture is underway. The division and transfer of the principal assets, personnel, market and business operation of the Distribution Joint Venture had been completed. During the Year, loss from the Distribution Joint Venture attributable to the Group was approximately RMB4,879,000 (2013: attributable loss of approximately RMB5,486,000).

- (3) turnover of haemodialysis consumables and equipment for the Year was approximately RMB729,275,000, representing an increase of 29.9% when compared with the previous year. Profit attributable to the Group from Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd. (“Weigao Nikkiso”), which is 51% held by the Group, amounted to approximately RMB6,561,000 (2013: attributable profit of RMB6,822,000);

The Directors recommended the payment of a final dividend of RMB0.035 per share (2013: RMB0.031), which is subject to the approval by the shareholders of the Company (“Shareholders”) at the forthcoming general meeting.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		5,277,827	4,613,310
Cost of sales		(2,173,518)	(1,886,444)
Gross profit		3,104,309	2,726,866
Other income, gains and losses	4	173,910	(11,727)
Distribution costs		(1,417,460)	(1,161,236)
Administrative expenses		(324,333)	(291,784)
Research and development expenses		(238,100)	(208,921)
Finance costs	5	(22,705)	(8,957)
Share of profit of joint ventures		4,922	2,820
Share of (loss) profit of associates		(4,879)	62,325
Loss on disposal of an associate		—	(565,232)
Profit before taxation		1,275,664	544,154
Income tax expense	6	(180,844)	(156,475)
Profit for the year		<u>1,094,820</u>	<u>387,679</u>

		2014	2013
	NOTES	RMB'000	RMB'000
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations			
– subsidiaries		490	(1,105)
– an associate		–	(47,824)
Reclassified to loss on disposal of an associate		–	67,832
		<u>–</u>	<u>67,832</u>
Total comprehensive income for the year		<u>1,095,310</u>	<u>406,582</u>
Profit for the year attributable to:			
Owners of the Company		1,084,948	387,984
Non-controlling interests		9,872	(305)
		<u>9,872</u>	<u>(305)</u>
		<u>1,094,820</u>	<u>387,679</u>
Total comprehensive income attributable to:			
Owners of the Company		1,085,438	406,887
Non-controlling interests		9,872	(305)
		<u>9,872</u>	<u>(305)</u>
		<u>1,095,310</u>	<u>406,582</u>
Earnings per share – basic	8	<u>RMB0.24</u>	<u>RMB0.09</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

		31/12/2014	31/12/2013
	NOTES	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		4,154,071	3,948,375
Investment properties		30,619	10,109
Deposits paid for acquiring property, plant and equipment		134,559	83,323
Prepaid lease payments		469,326	514,693
Intangible assets		13,590	16,705
Interests in joint ventures		112,199	107,277
Interests in associates		123,579	128,458
Goodwill		202,900	202,900
Deferred tax assets		30,229	22,834
		<u>5,271,072</u>	<u>5,034,674</u>
Current assets			
Inventories	10	914,519	866,356
Trade and other receivables	11	2,987,661	2,227,947
Available-for-sale investments		–	40,000
Pledged bank deposits		110,770	143,496
Bank balances and cash		2,786,085	2,975,623
		<u>6,799,035</u>	<u>6,253,422</u>
Current liabilities			
Trade and other payables	12	1,676,632	1,747,783
Borrowings – repayable within one year		270,600	300,200
Tax payable		51,699	34,319
Deferred income – current portion		4,000	–
		<u>2,002,931</u>	<u>2,082,302</u>

		31/12/2014	31/12/2013
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net current assets		<u>4,796,104</u>	<u>4,171,120</u>
		<u>10,067,176</u>	<u>9,205,794</u>
Capital and reserves			
Share capital	13	447,637	447,637
Reserves		<u>9,400,268</u>	<u>8,592,708</u>
Equity attributable to owners of the Company		9,847,905	9,040,345
Non-controlling interests		<u>31,686</u>	<u>22,587</u>
Total equity		<u>9,879,591</u>	<u>9,062,932</u>
Non-current liability			
Borrowings – repayable after one year		149,100	99,700
Deferred income		<u>38,485</u>	<u>43,162</u>
		<u>187,585</u>	<u>142,862</u>
		<u>10,067,176</u>	<u>9,205,794</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company						Non-		Total
	Share capital RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 (Note)	Translation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	controlling interests RMB'000	
At 1 January 2013	447,637	2,478,544	255,658	(22,401)	2,661	5,748,894	8,910,993	9,422	8,920,415
Profit for the year	–	–	–	–	–	387,984	387,984	(305)	387,679
Exchange differences arising on translation of foreign operations									
– subsidiaries	–	–	–	(1,105)	–	–	(1,105)	–	(1,105)
– an associate	–	–	–	(47,824)	–	–	(47,824)	–	(47,824)
Reclassified to loss on disposal of an associate	–	–	–	69,054	(1,222)	–	67,832	–	67,832
Total comprehensive income for the year	–	–	–	20,125	(1,222)	387,984	406,887	(305)	406,582
Injection of minority shareholders	–	–	–	–	–	–	–	13,470	13,470
Dividends recognised as distribution	–	–	–	–	–	(277,535)	(277,535)	–	(277,535)
At 31 December 2013	447,637	2,478,544	255,658	(2,276)	1,439	5,859,343	9,040,345	22,587	9,062,932
Profit for the year	–	–	–	–	–	1,084,948	1,084,948	9,872	1,094,820
Exchange differences arising on translation of foreign operations									
– subsidiaries	–	–	–	490	–	–	490	–	490
Total comprehensive income for the year	–	–	–	490	–	1,084,948	1,085,438	9,872	1,095,310
Purchases of minority interests	–	–	–	–	(342)	–	(342)	(773)	(1,115)
Dividends recognised as distribution	–	–	–	–	–	(277,536)	(277,536)	–	(277,536)
At 31 December 2014	<u>447,637</u>	<u>2,478,544</u>	<u>255,658</u>	<u>(1,786)</u>	<u>1,097</u>	<u>6,666,755</u>	<u>9,847,905</u>	<u>31,686</u>	<u>9,879,591</u>

Note: The Articles of Association of the companies comprising the Company and its subsidiaries established in PRC require the appropriation of 10% of profit after taxation (prepared under the generally accepted accounting principles in the PRC) each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provisions of the Articles of Association of the PRC companies, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into capital and expansion of its production and operation. For the capitalisation of statutory surplus reserve into capital, the remaining amount of such reserve shall not be less than 25% of the registered capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL

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. Weigao Holding Company Limited (“Weigao Holding”), the immediate and ultimate holding company of the Company, registered in the PRC with limited liability. The Company has relocated its principal place of business to 18 Xing Shan Road, Weihai Torch Hi-tech Science Park, Weihai, Shandong Province, PRC since May 2013.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation.

Amendments to HKFRS 10	<i>Investment Entities</i>
HKFRS 12 and HKAS 27	
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC) – 21	<i>Levies</i>

The application of the amendments to standards in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	<i>Financial Instruments</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ⁵
Amendments to HKAS 1	<i>Disclosure Initiative</i> ⁵
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ⁵
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ⁴
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2010-2012 Cycle</i> ⁶
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2011-2013 Cycle</i> ⁴
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2012-2014 Cycle</i> ⁵
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ⁵
Amendments to HKAS 27	<i>Equity Method in Separate Financial Statements</i> ⁵
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 July 2014

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 *Financial Instruments*

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

One of the key requirements of IFRS 9 that are applicable to the Group includes the impairment of financial assets, of which IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company are of the view that the expected credit loss model may result in early and additional provision of credit losses which are not yet incurred. However, it is not practicable to provide a reasonable estimate of the effect from using an expected credit loss model in respect of its financial assets until a detailed review has been completed.

3. SEGMENT INFORMATION

The Group is principally engaged in the research and development, production and sale of single-use medical device products, orthopaedic products and blood purification products and operates in the PRC.

For management purposes, the Group is currently organised into three operating divisions – single use medical device products, orthopaedic products and blood purification products. These divisions are 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 segments are as follows:

- Single use medical device – production and sale of single use consumables such as infusion sets, needles, syringes, blood bags and pre-filled syringes.
- Orthopaedic products – production and sale of orthopaedic products.
- Blood purification products – production and sale of blood purification products and related medical equipment.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

2014

	Single use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue					
External sales	3,956,722	591,830	729,275	–	5,277,827
Inter-segment sales	13,744	64	2,208	(16,016)	–
Total	3,970,466	591,894	731,483	(16,016)	5,277,827
Segment profit	917,247	258,454	54,691	–	1,230,392
Unallocated expenses					(1,006)
Unallocated other income, gain and losses					2,397
Bank interest income					43,838
Share of profit of joint ventures					4,922
Share of loss of associates					(4,879)
Profit before taxation					1,275,664

2013

	Single use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue					
External sales	3,546,077	505,947	561,286	–	4,613,310
Inter-segment sales	<u>3,373</u>	<u>–</u>	<u>864</u>	<u>(4,237)</u>	<u>–</u>
Total	<u>3,549,450</u>	<u>505,947</u>	<u>562,150</u>	<u>(4,237)</u>	<u>4,613,310</u>
Segment profit	<u>765,201</u>	<u>257,264</u>	<u>14,863</u>	<u>–</u>	<u>1,037,328</u>
Unallocated expenses					(372)
Unallocated other income, gain and losses					762
Bank interest income					5,947
Interest on available for sale investments					576
Share of profit of joint ventures					2,820
Share of profit of associates					62,325
Loss on disposal of an associate					<u>(565,232)</u>
Profit before taxation					<u>544,154</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 expenses, other income, gains and losses of the corporate function, interest on available for sale investments, share of profit of joint ventures, share of (loss) profit of associates and loss on disposal of an associate. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

2014

	Single use medical device products <i>RMB'000</i>	Blood Orthopaedic products <i>RMB'000</i>	purification products <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Segment assets	<u>6,256,746</u>	<u>788,993</u>	<u>1,830,887</u>	8,876,626
Interests in associates				123,579
Interests in joint ventures				112,199
Investment properties				30,619
Deferred tax assets				30,229
Pledged bank deposits				110,770
Bank balances and cash				<u>2,786,085</u>
Consolidated assets				<u>12,070,107</u>
Liabilities				
Segment liabilities	<u>1,424,046</u>	<u>92,768</u>	<u>673,702</u>	<u>2,190,516</u>

2013

	Single use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Segment assets	<u>5,673,857</u>	<u>724,994</u>	<u>1,461,448</u>	7,860,299
Interests in associates				128,458
Interests in joint ventures				107,277
Available-for-sale investments				40,000
Investment properties				10,109
Deferred tax assets				22,834
Pledged bank deposits				143,496
Bank balances and cash				<u>2,975,623</u>
Consolidated assets				<u>11,288,096</u>
Liabilities				
Segment liabilities	<u>1,510,442</u>	<u>156,589</u>	<u>536,133</u>	2,203,164
Other payable relating to the acquisition of additional interest in a subsidiary				<u>22,000</u>
Consolidated liabilities				<u>2,225,164</u>

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

- all assets are allocated to operating segments other than investment properties, pledged bank deposits, bank balances and cash, deferred tax assets, available-for-sale investments, interest in joint ventures and interests in associates; and
- all liabilities are allocated to operating segments other than other payables relating to the acquisition of additional interest in a subsidiary.

Other segment information

2014

	Single use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <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	315,394	138,789	302,367	756,550
Allowance for bad and doubtful debts	15,753	1,905	5,363	23,021
Release of prepaid lease payment	8,864	193	2,420	11,477
Amortisation of intangible assets	–	3,115	–	3,115
Depreciation of property, plant and equipment	153,725	34,464	52,174	240,363
(Gain) loss on disposal of property, plant and equipment	(118,722)	(50)	947	(117,825)
Research and development expenditure	168,395	46,642	23,063	238,100
Government grant	(1,541)	(577)	(6,956)	(9,074)
Rebate of value added tax (“VAT”)	(39,113)	–	–	(39,113)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

2013

	Single use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <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	587,900	45,595	314,539	948,034
Allowance for bad and doubtful debts	16,002	261	5,948	22,211
Release of prepaid lease payment	8,869	193	1,986	11,048
Amortisation of intangible assets	–	3,115	–	3,115
Depreciation of property, plant and equipment	114,858	23,118	46,498	184,474
Gain on disposal of property, plant and equipment	(266)	(5)	(1,157)	(1,428)
Research and development expenditure	151,955	38,731	18,235	208,921
Government grant	(1,541)	(3,480)	(2,676)	(7,697)
Rebate of VAT	(38,371)	–	–	(38,371)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

Revenue from major products

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Sale of single use medical device products		
– Infusion sets	1,480,807	1,254,165
– Syringes	657,618	595,022
– Pre-filled syringes	241,903	209,575
– Needles	731,691	722,304
– Blood bags and sampling products	342,841	318,306
– PVC granules	58,057	74,421
– Other products	443,805	372,284
Sale of orthopaedic products	591,830	505,947
Sale of blood purification products	729,275	561,286
	<u>5,277,827</u>	<u>4,613,310</u>

Information about major customers

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

Geographical segment

The Group's operations, assets and most of the customers are located in the PRC. Accordingly, no geographical analysis of non-current assets and revenue is presented.

4. OTHER INCOME, GAINS AND LOSSES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Rebate of VAT (<i>i</i>)	39,113	38,371
Allowances for bad and doubtful debts	(23,021)	(22,211)
Government grant (<i>ii and iii</i>)	9,074	7,697
Bank interest income	43,838	5,947
Rental income	5,519	1,753
Net exchange loss	(20,835)	(46,050)
Interest on available for sale investments	–	576
Gain on disposal of property, plant and equipment (<i>iv</i>)	117,825	1,428
Others	2,397	762
	173,910	(11,727)

Note:

- i As Weihai Jierui Medical Products Company Limited (“Jierui”) was recognised as a “Social Welfare Entity”, the Tax Bureau in Weihai granted a rebate of the value added tax paid by Jierui with effect from 1 May 1999 on the basis of “payment first then rebate”. Pursuant to Caishui [2007] No.92 issued by the State Council, with effect from 1 July 2007, Jierui was granted a rebate of value added tax determined with reference to the number of staff with physical disability. For each staff with physical disability, six times of the minimum salary approved by the local government in Weihai is granted to Jierui as rebate of value added tax but subject to an annual maximum limit of RMB35,000 per staff with physical disability.
- ii During the year, government grants of RMB4,397,000 (2013: RMB4,585,000) in aggregate were awarded to the Group mainly for specific research and development projects completed during the year ended 31 December 2014 and were recognised as income when the government grants were received. The detail are as follows:
 - 1) During the year ended 31 December 2014, grants of RMB400,000 was bestowed upon the Company by Weihai Huancui District Bureau of Science and Technology and was received and recognized as other income during the year ended 31 December 2014.
 - 2) Pursuant to the Notice on the Execution of Talent Program Industry Project Weirenzufa [2013] No. 2, Weihai Talent Program Leading Group assigned the Vice-Director of the Research and Development Center of Shandong Weigao Orthopaedic Device Company Limited (“Weigao Ortho”) as Distinguished Expert of the Talent Program Industry Project, and awarded the Group RMB100,000, which was received and recognized as other income during the year ended 31 December 2014.

- 3) During the year ended 31 December 2014, patent award funds of RMB7,000 was granted to Weigao Ortho by the Intellectual Property Office of Shandong Province and was received and recognized as income during the year ended 31 December 2014.
 - 4) During the year ended 31 December 2014, subsidies of RMB50,000 and RMB20,000 were awarded to the Company by the Station of Finance of Wujin District as the grant of “the 2014 Second Batch Technology Development Reward of Changzhou City Wujin District” (Wucaigongmao [2014] No. 12) and “the 2014 Engineering Technology Research Center Reward of Changzhou City Wujin District” (Wucaigongmao [2014] No. 20), separately. Both grants were received and recognised as other income.
 - 5) During the year ended 31 December 2014, Weigao Group (Weihai) Medical Products Marketing Co., Ltd. (Weigao Marketing) received a grant of RMB50,000.00 from Weihai Bureau of Finance and were recognized as other income during the year ended 31 December 2014 when granted.
 - 6) Pursuant to the Notice of Granting the Leading Company Industrial Supporting Fund [2014-5-5-16] of the Shanghai Huangpu Financial Service Office, Weihai Weigao Blood Purification Products Company Limited (“Weigao Blood”) was bestowed RMB630,000 as 2013 Leading Company Industrial Supporting Fund, which were recognized as other income during the year ended 31 December 2014.
 - 7) During the year ended 31 December 2014, subsidies of RMB940,000 from the Finance Secretary of the Department of Science and Technology was granted to Weigao Blood and were recognized as other income during the year ended 31 December 2014.
 - 8) Pursuant to Weicaijianzhi [2014] No. 12, Shandong Weigao Holding Company Limited (“Weigao Holding”) was granted RMB1,000,000 as subsidies of the Internet Service Construction, which were recognized as other income during the year ended 31 December 2014.
 - 9) Pursuant to Weicaijianzhi [2014] No. 64, Service Industry Development Pilot Fund RMB1,200,000 was bestowed to Weigao Holding and were received and recognized as other income.
- iii During the year ended 31 December 2014, the release of government grants related to assets amounting to RMB4,677,000 (2013: RMB3,112,000) is recognised as other income.
- iv Included in gain on disposal of property, plant and equipment is an amount of RMB118,676,000 in respect of land use rights of RMB52,707,000, building of RMB268,941,000 and related plant, property and equipment of RMB3,328,000 repurchased by Weihai Bureau of Territorial Resources for an aggregate compensation of RMB451,886,000. The above gain deducted an extra implementation costs of RMB8,234,000.

In accordance with the provisions of Section One Article Eight of the Explanations of Business Tax Items (Provisional) (GSF [1993] No. 149) issued by the State Administration of Taxation, and Article Eleven of the Rules for the Implementation of the Provisional Regulations on Land Value Appreciation Tax of the People's Republic of China, the management of the Group considers this event in conformity with the regulations regarding non-levied business tax and exempted land value-added tax.

5. FINANCE COSTS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Interest on borrowings wholly repayable within five years	28,658	16,275
Less: Amount capitalised in construction in progress	<u>(5,953)</u>	<u>(7,318)</u>
	<u>22,705</u>	<u>8,957</u>

6. INCOME TAX EXPENSE

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
PRC Enterprise Income Tax		
Current tax	186,927	154,907
Underprovision in prior years	1,312	–
Deferred taxation	<u>(7,395)</u>	<u>1,568</u>
	<u>180,844</u>	<u>156,475</u>

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25%.

The Company, Jierui, Weigao Ortho and Weigao Blood were recognised as Shandong Province New and High Technical Enterprises (山東省高新技術企業) from the year 2011 to 2013. 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 directors of the Company expect that the Company, Jierui, Weigao Ortho and Weigao Blood satisfy all current criteria and are currently processing to obtain the approval from relevant tax authority for recognition as Shandong Province New and High Technical Enterprises for year 2014.

Jierui has been recognised as a “Social Welfare Entity” and pursuant to Caishui [2007] No. 92 issued by the State Council, with effect from 1 July 2007. Jierui is subject to a statutory tax rate but an amount equivalent to the total salaries paid to staff with physical disability is further deducted from the taxable income of Jierui and the rebate of value added tax is exempted from the PRC income tax. Jierui is subject to income tax at a tax rate of 15%. The tax charge provided for the years ended 31 December 2014 and 2013 were made after taking these tax concession into account.

No provision of Hong Kong taxation has been made for Weigao International Medical Company Limited, Wego Medical Investment Company Limited and Wego Medical Holding Company Limited as they did not have assessable profit in Hong Kong during both years.

No provision of overseas taxation has been made for Weigao Medical (Europe) Company Limited, Wellford Capital Limited and Weigao Medical Germany GmbH as they did not have assessable profit during both years.

The charge for the year can be reconciled to the profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit before taxation	<u>1,275,664</u>	<u>544,154</u>
Taxation at the domestic income tax rate of 15% (2013: 15%)	191,350	81,623
Tax effect of share of profit loss of joint ventures	(738)	(423)
Tax effect of share of loss (profit) of associates	732	(9,349)
Tax effect of income not taxable for tax purpose	(8,129)	(5,756)
Additional tax benefit in research and development cost (<i>note</i>)	(18,000)	(14,554)
Additional tax benefit to a social welfare entity	(5,298)	(4,675)
Utilisation of tax losses previously not recognised	(488)	(43)
Utilisation of deductible temporary difference previously not recognised	(187)	(875)
Tax effect of tax losses not recognised	4,848	5,879
Tax effect of expenses not deductible for tax purpose	13,605	11,952
Tax effect of loss on disposal of an associate not deductible for tax purpose	–	84,785
Effect of differential tax rate on the Group	1,837	7,911
Additional tax paid in respect of the prior year	<u>1,312</u>	<u>–</u>
Taxation	<u>180,844</u>	<u>156,475</u>

Note: Additional tax allowance was granted by the PRC tax authority in respect of the research and development cost of RMB120,000,000 (2013: RMB97,027,000) incurred in new products.

7. DIVIDENDS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2014 Interim – RMB0.031		
(2013: interim dividend – RMB0.029) per share	138,768	129,815
2013 Final – RMB0.031		
(2013: 2012 final dividend – RMB0.033) per share	<u>138,768</u>	<u>147,720</u>
	<u><u>277,536</u></u>	<u><u>277,535</u></u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2014 of RMB0.035 (2013: RMB0.031) per share, amounting to RMB156,673,000 (2013: RMB138,768,000) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the each of reporting period is based on the following data:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Earnings		
Profit for the year attributable to owners of the Company	<u><u>1,084,948</u></u>	<u><u>387,984</u></u>
Number of shares		
Number of shares for the purpose of basic earnings per share	<u><u>4,476,372</u></u>	<u><u>4,476,372</u></u>

No diluted earnings per share is presented because no potential ordinary shares were outstanding in the current year or in the prior year.

9. INTERESTS IN JOINT VENTURES

	31/12/2014 RMB'000	31/12/2013 RMB'000
Cost of unlisted investment, at cost	117,990	117,990
Share of post-acquisition loss	(5,791)	(10,713)
	<u>112,199</u>	<u>107,277</u>

Details of the Group's joint ventures as at 31 December 2014 and 2013 are as follows:

Name	Form of business structure	Place of incorporation or registration/ operation	Proportion of nominal value of registered capital held by the Group		Principal activities
			2014	2013	
Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd. ("Weigao Nikkiso") (i)	Sino foreign joint venture	PRC	51%	51%	Manufacture, sale and after-sale service of Nikkiso technology-based medical products
Weigao Terumo (Weihai) Medical Products Co., Ltd. ("Weigao Terumo") (ii)	Sino foreign joint venture	PRC	50%	50%	Production and sales of medical products

Note:

- i Pursuant to the terms in the Weigao Nikkiso Co-operation Agreement between the shareholders, the registered capital of USD5,610,000 (equivalent to RMB37,990,000) was contributed by Weigao Blood and USD5,390,000 (equivalent to RMB36,500,000) was contributed by Nikkiso Company Limited (日本日機装株式會社) ("Nikkiso"). Under the Memorandum and Article of Weigao Nikkiso, Weigao Blood is entitled to 50% voting right and has 51% rights to the net assets of Weigao Nikkiso, thus investment in Weigao Nikkiso is classified as investment in joint venture.
- ii Weigao Terumo was established on 6 December 2012. Pursuant to the terms in the Weigao Terumo Agreement between the shareholders, the registered capital of RMB160,000,000 is to be contributed by Weigao Blood and Terumo (China) Investment Company Limited (泰爾茂(中國)投資有限公司) ("Terumo"). Under the Memorandum and Article of Weigao Terumo, Weigao Blood is entitled to 50% voting right and has 50% rights to the net assets of Weigao Terumo, thus investment in Weigao Terumo is classified as investment in joint venture. As at 31 December 2014, Weigo Blood and Terumo have contributed their respective share of registered capital of RMB80,000,000.

Summarised financial information in respect of the Group's joint ventures is set out below. The summarised financial information represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

Weigao Nikkiso

	31/12/2014 RMB'000	31/12/2013 <i>RMB'000</i>
Current assets	<u>77,624</u>	<u>79,457</u>
Non-current assets	<u>18,948</u>	<u>18,742</u>
Current liabilities	<u>(22,375)</u>	<u>(36,867)</u>

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	<u>13,861</u>	<u>33,954</u>
	Year ended 31/12/2014 RMB'000	Year ended 31/12/2013 <i>RMB'000</i>
Revenue	<u>111,755</u>	<u>106,437</u>
Profit for the year	<u>12,865</u>	<u>13,376</u>

The above profit for the year include the following:

	Year ended 31/12/2014 RMB'000	Year ended 31/12/2013 <i>RMB'000</i>
Depreciation and amortisation	<u>2,454</u>	<u>2,031</u>
Interest income	<u>54</u>	<u>33</u>
Income tax expense	<u>—</u>	<u>—</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in Weigao Nikkiso recognised in the consolidated financial statements:

	31/12/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Net assets of Weigao Nikkiso	74,197	61,332
Proportion of the Group's ownership interest in Weigao Nikkiso (%)	51	51
Carrying amount of the Group's interest in Weigao Nikkiso	37,840	31,279

Weigao Terumo

	31/12/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	60,430	145,085
Non-current assets	91,207	9,429
Current liabilities	(2,919)	(2,517)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	56,439	93,439
	Year ended	Year ended
	31/12/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	–	–
Loss for the year	(3,279)	(8,003)

The above loss for the year include the following:

	Year ended 31/12/2014 <i>RMB'000</i>	Year ended 31/12/2013 <i>RMB'000</i>
Depreciation and amortisation	<u>1,567</u>	<u>105</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in Weigao Terumo recognised in the consolidated financial statements:

	31/12/2014 <i>RMB'000</i>	31/12/2013 <i>RMB'000</i>
Net assets of Weigao Terumo	148,718	151,997
Proportion of the Group's ownership interest in Weigao Terumo (%)	<u>50</u>	<u>50</u>
Carrying amount of the Group's interest in Weigao Terumo	<u>74,359</u>	<u>75,998</u>

10. INVENTORIES

	31/12/2014 <i>RMB'000</i>	31/12/2013 <i>RMB'000</i>
Raw materials	177,319	151,275
Finished goods	<u>737,200</u>	<u>715,081</u>
	<u>914,519</u>	<u>866,356</u>

11. TRADE AND OTHER RECEIVABLES

	31/12/2014 RMB'000	31/12/2013 RMB'000
Trade receivables	2,252,946	1,842,193
Less: Allowance for bad and doubtful debts	(115,999)	(93,907)
	2,136,947	1,748,286
Bills receivable	141,757	327,485
Other receivables	71,241	44,905
Prepayments	174,228	94,038
Compensation	451,886	–
Other receivables – receivable within one year	–	1,750
Prepaid lease payments	11,602	11,483
	2,987,661	2,227,947

All the bills receivable will be matured within six months.

Included in trade receivables is an amount due from an associate of nil (2013: RMB4,132,000), an amount due from fellow subsidiaries of RMB2,660,000 (2013: nil). The amounts are unsecured, interest-free and repayable on demand.

Included in other receivables is an amount due from an associate of RMB174,000 (2013: nil), and an amount due from ultimate holding company of RMB4,077,000 (2013: nil). The amounts are unsecured, interest-free and repayable on demand.

Included in prepayments is an amount paid to an associate of RMB715,000 (2013: nil), and an amount paid to ultimate holding company of RMB6,000,000 (2013: nil).

The Group allows credit period of 90-180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period.

	31/12/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	1,196,036	942,730
91 to 180 days	484,988	451,881
181 to 365 days	322,112	277,395
Over 365 days	133,811	76,280
	<hr/>	<hr/>
Trade receivables	2,136,947	1,748,286
	<hr/>	<hr/>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. 81% (31 December 2013: 80%) of the trade receivables that are neither past due nor impaired have good repayment history with the Group.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB455,923,000 (2013: RMB353,675,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	31/12/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
181 to 365 days	322,112	277,395
Over 365 days	133,811	76,280
	<hr/>	<hr/>
	455,923	353,675
	<hr/>	<hr/>

The Group has made impairment allowances in full for all receivables over 3 years because from historical experience receivables past due beyond 3 years are generally not recoverable.

Movement in the allowance for bad and doubtful debt:

	2014 RMB'000	2013 RMB'000
At 1 January	93,907	84,835
Impairment losses recognised on trade receivables	25,441	21,977
Impairment losses reversed	(2,774)	–
Amounts written off as uncollectible	(575)	(12,905)
	<hr/>	<hr/>
At 31 December	115,999	93,907
	<hr/> <hr/>	<hr/> <hr/>

No bills receivables (2013: RMB228,096,000) were endorsed to suppliers on a full recourse basis at 31 December 2014 and was therefore not derecognised. No corresponding trade payables (2013: RMB228,096,000) were included in the consolidated statement of financial position accordingly.

Other receivables are unsecured, non-interest bearing and have no fixed term of repayment. In the opinion of the directors of the Company, the amounts are expected to be recovered in the next twelve months. The ageing analysis of other receivables net of allowance for bad and doubtful debts is stated as follows:

	31/12/2014 RMB'000	31/12/2013 RMB'000
0 to 90 days	32,026	19,188
91 to 180 days	13,498	3,917
181 to 365 days	19,044	12,342
Over 365 days	6,673	9,458
	<hr/>	<hr/>
	71,241	44,905
	<hr/> <hr/>	<hr/> <hr/>

Ageing of other receivables which are past due but not impaired:

	31/12/2014 RMB'000	31/12/2013 RMB'000
181 to 365 days	19,044	12,342
Over 365 days	6,673	9,458
	<hr/>	<hr/>
	25,717	21,800
	<hr/> <hr/>	<hr/> <hr/>

The Group has made impairment allowances in full for all other receivables over 3 years because from historical experience other receivables past due beyond 3 years are generally not recoverable.

Movement in the allowance for bad and doubtful debt:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	1,851	1,617
Impairment losses recognised on other receivables	571	296
Impairment losses reversed	(217)	(62)
At 31 December	<u>2,205</u>	<u>1,851</u>

Receivables that were not impaired relate to a wide range of customers for whom there was no recent history of default and with good credit quality.

12. 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:

	31/12/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	418,439	612,063
91 to 180 days	60,479	89,370
181 to 365 days	12,414	38,662
Over 365 days	<u>29,864</u>	<u>11,320</u>
Trade payables	521,196	751,415
Bills payable	153,340	238,840
Advances from customers	79,356	64,030
Other tax payables	34,936	69,364
Other payable for the acquisition of additional interest in a subsidiary	–	22,000
Construction cost and retention payable	89,933	102,138
Other payables	<u>797,871</u>	<u>499,996</u>
	<u>1,676,632</u>	<u>1,747,783</u>

The normal credit period taken for trade purchases is 90-120 days. All the bills payable will mature within six months.

Included in trade payables are an amount due to fellow subsidiaries of RMB10,806,000 (2013: RMB8,141,000), an amount due to a joint venture of RMB21,046,000 (2013: RMB10,748,000), an amount due to ultimate holding company of RMB49,000 (2013: nil) and an amount due to an associate of 22,650,000 (2013: RMB67,035,000). The amounts are unsecured, interest-free and repayable on demand.

Included in advances from customers are an amount received from fellow subsidiaries of RMB500,000 (2013: nil)

Included in other payables are an amount due to fellow subsidiaries of RMB765,000 (2013: nil), an amount due to a joint venture of RMB2,518,000 (2013: nil), an amount due to an associate of RMB63,803,000 (2013: nil) and an amount due to ultimate holding company of RMB16,224,000 (2013: RMB11,691,000). The amounts are unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

	Nominal value of each share <i>RMB</i>	Number of Non-listed shares <i>(Note)</i>	Number of H shares <i>(Note)</i>	Total number of shares	Value <i>RMB'000</i>
At 1 January 2013, 31 December 2013 and 31 December 2014	0.1	<u>2,592,640,000</u>	<u>1,883,732,324</u>	<u>4,476,372,324</u>	<u>447,637</u>

Notes: Non-listed shares and H shares are all ordinary shares in the share capital of the Company. However, H shares may only be subscribed for by, and traded in currencies other than RMB between, legal or natural persons of Hong Kong, the Macau Special Administrative Region, Taiwan or any country other than the PRC. Non-listed shares must be subscribed for and traded in RMB. All dividends in respect of H Shares are to be paid by the company in Hong Kong dollars whereas all dividends in respect of Non-listed shares are to be paid by the Company in RMB. The Non-listed shares and the H shares rank pari passu with each other in all other respects and in particular, rank equally for all dividends or distributions declared, paid or made.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimization of product mix

During the Year, the gross profit margin of the Group decreased to 58.8% from 59.1%, which was mainly attributable to the increase in the proportion of sales of blood purification products to total sales. As the Group had adopted positive counter measures and strived to improve the operation and management efficiency through on-going product mix optimization and continuous technological enhancement, it mitigated the impact of factory relocation and labour costs increases.

1. Consumables: the Group recorded a turnover of approximately RMB3,956,722,000, representing an increase of 11.6% when compared with the previous year.

During the Year, the sales of the Group's specialized infusion sets with precision filter and the infusion sets made of proprietary non-PVC based material continued to grow. The pre-filled flush syringes that were newly launched in 2014 achieved good sales momentum. The turnover of infusion sets of the Group amounting to approximately RMB1,480,807,000, representing an increase of 18.1% over last year. The Directors believe that specialized infusion sets with dosage control device and non-PVC based infusion sets have enormous development potential in the PRC. The Group will continue to consolidate its core competitiveness in this sector.

For the year ended 31 December 2014, turnover for needle products of the Group was approximately RMB731,691,000, representing an increase of 1.3% when compared with the previous year. There was intensive competition from domestic manufacturers and that impacted on the sale growth of the Company. In order to enable needle products continue to be one of the important segments for the future development of the Company, management will focus on sales policies adjustment, increasing marketing investments and on new product research and development.

During the Year, the glass tube production line for pre-filled syringes was operating smoothly. The Group has established a favourable position in the market. Turnover of pre-filled syringes for the Year amounted to approximately RMB241,903,000, representing an increase of 15.4% when compared with last year.

2. The blood purification business of Weigao Blood Purification Products Company Limited (“Weigao Blood”) achieved rapid growth. During the Year, Weigao Blood recorded a turnover of approximately RMB729,275,000, representing an increase of 29.9% when compared with last year. Turnover of haemodialysis consumable products was approximately RMB604,115,000, representing an increase of 34.1% when compared with that of last year. Turnover of haemodialysis machines was approximately RMB125,160,000, representing an increase of 12.9% when compared with that of last year.
3. Orthopaedic business recorded a turnover of approximately RMB591,830,000 during the Year, representing an increase of 17.0% as compared with last year. During the Year, it has established stable sales channels and new products like PEEK rods were launched during the Year. Excluding the impact of OEM business and the postponement of orders in the fourth quarter of 2012 to the first quarter of 2013, the turnover of orthopaedic business increased by 24.5% when compared with last year.

During the Year, as a result of product mix adjustment, the percentage of turnover from high value-added products (products with gross profit margins over 60%) to total turnover increased to 52.8% (2013: 52.2%).

RESEARCH AND DEVELOPMENT

For the twelve months ended 31 December 2014, product registration certificates for 48 new products were obtained by the Group. The research and development for 43 products were completed for which applications for product registration certificates are underway. The Group obtained 76 new patents and 91 new patents are under application.

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

For the twelve months ended 31 December 2014, the Group had over 350 product registration certificates and over 370 patents, of which 48 were patents on invention.

In view of the need for the strategic adjustments to product mix, the Group continued to increase the investments in the research and development in existing products series and new medical devices, so as to further improve its product series and expand product range. The Group continued to maintain its leading position in research and development capability in China. For the twelve months ended 31 December 2014, total research and development expenses amounted to approximately RMB238,100,000 (2013: approximately RMB208,921,000), representing 4.5% (2013: 4.5%) of the revenue of the Group.

PRODUCTION

During the Year, The Group completed the relocation of main production facilities of Jierui production workshop and those ancillary facilities like warehouses and office buildings from the original production plant to new industrial zone, and these facilities had been put into operation during the Year.

During the Year, the construction of the third production line of Weigao Blood was completed and put into production while the construction of the fourth production line is under preparation.

SALES AND MARKETING

The Group consolidated the strategy in integrating its sales channels. During the Year, the Group conducted an adjustment on sales regions for consumables segment and further decentralised the decision making process to fasten response to the market. The Group adopted key accounts management system and enhanced the product portfolio of the customers. At the same time, the Group increased the sales staff headcount, placed more resources to support the market channels and continued to promote the hospital administrators training project in collaboration with the Ministry of Health.

During the Year, the Group strengthened as its sales management system. The Group focused on its marketing resources on customer development and maintained the relationship with hospitals from the grade-A of tier two or above (二甲級以上醫院). For the twelve months ended 31 December 2014, the Group newly added 19 hospitals while other medical institutes and distributors increased by 18 and 31 respectively. As at the date of this announcement, the Group has a total customer base of 5,227 (including 3,109 hospitals, 414 blood stations, 629 other medical units and 1,075 distributors).

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

TURNOVER BY GEOGRAPHICAL SEGMENTS

	2014	2013	Increase/ (Decrease) over corresponding period
	<i>RMB'000</i>	<i>RMB'000</i>	
Eastern and Central	2,311,073	1,994,133	15.9
Northern	1,120,615	970,134	15.5
Northeast	578,224	525,798	10.0
Southern	450,191	411,231	9.5
Southwest	440,538	370,088	19.0
Northwest	167,500	143,788	16.5
Overseas	209,686	198,138	5.8
Sub-total	<u>5,277,827</u>	<u>4,613,310</u>	<u>14.4</u>

The integration of sales channels has strengthened the Group's market penetration and influence over the direct sales to high-end customers. It enhanced sales contribution per customer and average sales per customer were increased by approximately 12.9% when compared with last year. It continued to drive up the product penetration to high-end customers and is 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. During the Year, the Group focused on sales and marketing of high value-added infusion sets. It has increased the proportion of revenue from high value-added products over its total revenue. Comparison of sales revenue of principal products with that in last year is as follows:

Product category	For the twelve months ended 31 December			For the three months ended 31 December		
	2014	2013	Over	2014	2013	Over
	<i>RMB'000</i>	<i>RMB'000</i>	corresponding period %	<i>RMB'000</i>	<i>RMB'000</i>	corresponding period %
Infusion sets	1,480,807	1,254,165	18.1	438,154	317,514	38.0
Needles	731,691	722,304	1.3	200,610	180,313	11.3
Syringes	657,618	595,022	10.5	174,521	149,719	16.6
Blood bags	261,492	233,760	11.9	71,692	66,054	8.5
Pre-filled syringes	241,903	209,575	15.4	50,989	50,924	0.1
Wound Management	97,041	77,537	25.2	28,169	20,200	39.5
Blood sampling products	81,349	84,546	(3.8)	20,278	22,807	(11.1)
PVC granules	58,057	74,421	(22.0)	16,919	19,436	(13.0)
Others	346,764	294,747	17.6	107,680	95,102	13.2
Subtotal for single-use consumables	3,956,722	3,546,077	11.6	1,109,012	922,069	20.3
Orthopaedic products	591,830	505,947	17.0	154,031	120,119	28.2
Blood purification consumables	604,115	450,410	34.1	179,194	131,678	36.1
Blood purification equipments	125,160	110,876	12.9	37,985	39,214	(3.1)
Total	<u>5,277,827</u>	<u>4,613,310</u>	<u>14.4</u>	<u>1,480,222</u>	<u>1,213,080</u>	<u>22.0</u>

HUMAN RESOURCES

As at 31 December 2014, the Group employed a total of 9,847 employees. The breakdown by departments when compared with last year is as follows:

Department

	2014	2013
Production	5,938	5,660
Sales and marketing	2,267	2,085
Research and development	985	927
Finance and administration	372	359
Quality control	147	143
Management	93	89
Purchasing	45	41
	<hr/>	<hr/>
Total	<u>9,847</u>	<u>9,304</u>

Save for the 3 employees (including the company secretary) who are resided in Hong Kong and Europe, all the employees of the Group are resided in Mainland China. During the Year, total cost of salaries, welfare and social benefits of the Group amounted to approximately RMB984,932,000 (2013: RMB806,202,000).

Remuneration System

The Group's remuneration policy has been determined based on its performance, changes in the local consumption power and competition in human resources market. The remuneration policy so determined has become the basis of determining the salary level of employees recruited for different positions. The salary of each employee is determined according to the employee's performance, ability, employment conditions and the salary standards set by the Company. Remuneration of Directors is proposed by the Remuneration Committee with reference to the operating results of the Company, personal performance of the Directors and market competition. The proposed remuneration of Directors is proposed by the Board subject to approval by shareholders at annual general meeting.

FINANCIAL REVIEW

For the year ended 31 December 2014, the Group recorded a turnover of RMB5,277,827,000, representing an increase of 14.4% over the previous financial year. Net profit attributable to the owners of the Company was approximately RMB1,084,948,000 (2013: net profit attributable to the owners of the Company of approximately RMB387,984,000), representing an increase of approximately 179.6% as compared with the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB988,952,000 (2013: (net profit attributable to the owners of the Company (excluding extraordinary items)) of approximately RMB890,891,000), representing an increase of approximately 11.0% over the previous year.

Financial Summary

	2014	2013	Growth
	<i>RMB'000</i>	<i>RMB'000</i>	%
Turnover	5,277,827	4,613,310	14.4
Gross profit	3,104,309	2,726,866	13.8
Net profit attributable to the owners of the Company	1,084,948	387,984	179.6
Net profit attributable to the owners of the Company excluding extraordinary items	988,952	890,891	11.0

During the Year, the extraordinary items recorded no profit attributable from investment in Biosensors International Group Limited (“BIG”) (2013: loss on disposal due to disposal of interest of the Company in BIG approximately RMB497,422,000), and the items such as the effect on dissolution of the Distribution Joint Venture with Medtronic recorded loss of approximately RMB4,879,000 (2013: loss of approximately RMB5,485,000) and net compensation for resumption of land by government of approximately RMB100,875,000 (2013: RMB Nil).

Liquidity and Financial Resources

The Group has maintained a sound financial position during the Year. As at 31 December 2014, the Group’s cash and bank balance amounted to approximately RMB2,786,085,000. For the year ended 31 December 2014, net cash flow from operating activities of the Group amounted to approximately RMB711,219,000. The Group has maintained a sound cash flow position.

Total interest expenses of the Group for the year ended 31 December 2014 were approximately RMB22,705,000 (2013: approximately RMB8,957,000).

Gearing Ratio

As at 31 December 2014, total net cash of the Group amounted to approximately RMB2,366,385,000 (2013: RMB2,575,723,000). The change in the total net cash was mainly due to newly built production factories.

Foreign Exchange Risks

The Group's purchases and sales are mainly conducted in the PRC. All of its assets, liabilities and transactions are denominated in RMB. For the year ended 31 December 2014, the Group has not encountered any material difficulty due to currency fluctuation nor shortage of its own operating funds. For the twelve months ended 31 December 2014, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

Due to the change in exchange rates, foreign exchange loss equivalent to RMB20,835,000 for the year ended 31 December 2014 was recognised (2013: foreign exchange gain equivalent to RMB46,050,000) by the Company.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2014.

MATERIAL INVESTMENTS/FUTURE MATERIAL INVESTMENT PLANS

1. According to the municipal planning of Weihai City, the industrial zone of the Group's medical consumables production plant will be rezoned as commercial and residential use. Hence, during the Year, the Group invested approximately RMB750,655,000 on purchase of land, production facilities and plant construction for the purpose of the overall relocation of the industrial zone for the Group's medical consumables.
2. Plan to invest RMB200,000,000 for constructing the fifth and the sixth production lines of the blood purification.

3. Plan to invest RMB130,000,000 for upgrading and restructuring the single-use consumables equipments to expand production capacity and enhance product quality.
4. Plan to invest RMB120,000,000 for expanding the production capacity of pre-filled syringes, with an additional capacity of 50 million pieces.

Save for the above material investments and investment plans, the Group had no material capital commitments or any future plans involving significant investments or capital assets acquisition as at 31 December 2014, and there was no material acquisition and disposal in any other subsidiaries and associates during the Year.

Capital commitment

As at 31 December 2014, the capital commitment of the Group and the Company contracted but not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB501,500,000 (2013: RMB656,312,000). The above amounts will be financed by the internal resources of the Group.

Pledge of the Group's Assets

As at 31 December 2014, the Group did not pledge the land use rights and buildings (2013: RMB Nil) but the Company pledged bank deposits of RMB110,770,000 (2013: RMB143,496,000) to secure the bills and banking facilities granted to the Group.

Reserves and Distributable Reserves

As at 31 December 2014, total reserves of the Group amounted to RMB9,400,268,000 (2013: RMB8,592,708,000).

Under the PRC laws and regulations, the Company's distributable reserves will be based on the lower of the amount calculated according to the PRC accounting principles and rules and the amount calculated according to the Hong Kong generally accepted accounting principles. As at 31 December 2014, the distributable reserves of the Company were approximately RMB2,424,125,000 (2013: RMB2,151,298,000).

REVIEW AND OUTLOOK

In 2014, the Company continued to maintain a strong growth in blood purification segment. The Company adjusted the development strategies of establishing haemodialysis centres. The Company also successfully improved the cost management of single-use consumables segment and eliminated the cost impact due to factory relocation. However, the Company was still facing the challenges of certain products homogenization, intensifying competition from domestic manufacturers and slow down industry growth of infusion sets.

Looking forward to 2015, the Company believes that, in facing the rapid development of medical device market, changes in medical industry policies and intensifying competition from companies in the industry, the Group will place emphasis on the followings:

1. Continue to intensify efforts in research and development of new products such as infusion sets irradiation sterilization series, new IV catheters and artificial joints. Besides, the Company continues to upgrade existing product functionality, to extent product lines to facilitate the product sales mix adjustment and to enhance product competitiveness in the market.
2. Strengthen our efforts in product positioning, planning capability and professional training to customers. The Company also continues to promote safe dose philosophy and joint training programs with chief hospital administrators in collaboration with the Ministry of Health, enhance the recognition of Weigao brand and thereby consolidate and expand market share.
3. Adjust the sales strategy of certain existing products, full deployment of existing sales team; facilitate synergistic sales through major customers management to enhance sales, so as to increase sales network coverage and market share of product lines.
4. Continue to increase efforts in technology improvement, and increase the level of automation with an objective of assimilating pressure from rising costs in new factory relocation and labour costs.
5. Introduce technology by ways of joint ventures, co-operation, technology transfer, acquisitions and mergers and to further expand product categories to consolidate the competitive advantages of the various product lines of the Company.

With the launching of more upgraded products and new product series, enhancement in marketing capabilities and adjustment in sales strategy, the management believes that the Group will continue to consolidate its leading position in the PRC market. The Group and its employees are confident to face new challenges.

SHARE AWARD SCHEME REGARDING NON-LISTED SHARES

As approved on the extraordinary general meeting and class meetings on 17 November 2014, the Company adopted a share award scheme (the “Scheme”) regarding a specific mandate to issue a maximum of 223,818,616 Non-listed Shares as incentive shares under the Scheme. The 223,818,616 Non-listed Shares represent 5% of the existing issued share capital of the Company or approximately 4.76% of the issued share capital of the Company as enlarged by the issue of the 223,818,616 Non-listed Shares.

The incentive shares allotted to the selected employees will be subject to a lock-up period and performance target based on certain key performance indicators. The Scheme serves to retain the long-term service of the selected employee and align his/her continuous performance with the development goal of the Group. Details of the Scheme are set out in the circular of the Company dated 30 September 2014.

There was no incentive shares issued as at 31 December 2014.

LOAN AGREEMENT WITH INTERNATIONAL FINANCE CORPORATION

On 27 January 2015, the Company entered into a five (5) years loan agreement (the “Loan Agreement”) for the principal amount of RMB600 million (approximately HK\$744 million) (the “Loan”) with the International Finance Corporation (“IFC”), a member of the World Bank Group and the largest global development institution focused exclusively on the private sector. The Loan is repayable in one lump sum on 15 March 2020. The Loan will be used for the business development of Weigao Blood, a 70% owned subsidiary of the Company to increase production capacity of blood dialyzer and related products and to open additional hemodialysis centers in China. Details of the Loan Agreement are set out in the announcement of the Company dated 27 January 2015.

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

During the Year, there was no purchase, sale or redemption of its securities by the Company or any of its subsidiaries.

BOARD PRACTICES AND PROCEDURES

The Code on Corporate Governance Practices (the “CCGP”) contained in the Listing Rules which set out the principles of good corporate governance and the Company is required to comply with the code provisions of the CCGP. The Company fully admitted that good corporate governance, as part of the Company’s culture, can create values to the Group and the Shareholders efficiently. The Board is committed to continuing to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. The Group has adopted practices which meets the code provisions of the CCGP.

AUDIT COMMITTEE

The Company set up an audit committee with terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company. The audit committee has five members comprising Mr. Lo Wai Hung, Mr. Li Jia Miao, Mrs. Fu Ming Zhong, and Mrs. Wang Jin Xia being independent non-executive directors and Mrs. Zhou Shu Hua, a non-executive director.

During the Year, the audit committee held four meetings and the committee had reviewed and approved the annual report for the year ended 31 December 2013 and the first three quarterly reports of the year 2014. On 18 March 2015, the audit committee had reviewed and approved the financial statements for the year ended 31 December 2014.

The unaudited quarterly and interim results and audited annual results for the year ended 31 December 2014 have been reviewed by the audit committee, which was of the opinion that the preparation of such results had complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive right under the Company’s articles of association and the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders’ interest. The Company has complied with the code provision of the Code on Corporate Governance Practices (the “Code”) in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014.

ANNUAL GENERAL MEETING, CLOSURE OF REGISTER OF MEMBERS, DIVIDEND PAYMENT DATE

The Company will make further announcement on the dates of annual general meeting, closure of register of members and the dividend payment as soon as practicable.

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend a final dividend of RMB0.035 per share (inclusive of tax). The total amount of final dividends to be distributed shall be approximately RMB156,673,000, of which dividends paid to non-resident corporate shareholders will be subject to the corporate tax applicable on the PRC sourced income pursuant to the PRC Corporate Income Tax Law and the Regulations on the Implementation of the PRC Corporate Income Tax Law that became effective on 1 January 2008 and the applicable tax rate is 10%. The listed issuer will be responsible for withholding the relevant amount of tax from the dividend payment and the dividends to be received by the non-resident corporate shareholders will be net of withholding tax. The proposal to declare and pay the final dividend will be submitted to the forthcoming Annual General Meeting. Final dividend for non-listed shares will be distributed and paid in Renminbi whereas dividend for H shares will be declared in Renminbi and paid in Hong Kong dollars.

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

18 March 2015

Weihai, Shandong Province, the PRC

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

Mr. Zhang Hua Wei (*Executive Director*)

Mr. Wang Yi (*Executive Director*)

Mr. Gong Jian Bo (*Executive Director*)

Mr. Xia Lie Bo (*Executive Director*)

Mr. Chen Xue Li (*Non-executive Director*)

Mrs. Zhou Shu Hua (*Non-executive Director*)

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

Mr. Li Jia Miao (*Independent non-executive Director*)

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

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