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 2017

SUMMARY

For the year ended 31 December 2017 (the "Year"), the turnover from continuing operation of Shandong Weigao Group Medical Polymer Company Limited (the "Company" and together with its subsidiaries, the "Group") was approximately RMB6,292,641,000 (2016: RMB5,619,842,000), representing an increase of 12.0% over the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB1,338,856,000 (2016: net profit attributable to the owners of the Company (excluding extraordinary items) of approximately RMB1,308,964,000), representing an increase of approximately 2.3% over the previous year. Net profit from continuing operation attributable to the owners of the Company was approximately RMB1,256,484,000 (2016: net profit from continuing operation attributable to the owners of the Company (excluding extraordinary items) of approximately RMB1,235,637,000), representing an increase of approximately 1.7% over the previous year.

During the Year, Weihai Weigao Blood Purification Products Company Limited ("Weigao Blood Purification") issued new shares to its management and some of its existing shareholders and a strategic investor. The shareholding of the Company has been diluted from 70% to 46.875%. Due to the change in the composition of the board of directors of Weigao Blood Purification, the Company no longer controls the board of Weigao Blood Purification. Weigao Blood Purification ceased to be a subsidiary of the Company and is accounted for as an associated company. As such, segment reporting on the manufacturing and sale of blood purification products had been ceased during the Year.

* *For identification purpose only*

The existing continuing operations of the Group are single use consumables, orthopaedic products and others. During the Year, the performance of its major business segments was as follows:

(1) turnover of single use consumables of the Group reached approximately RMB5,422,255,000 for the year ended 31 December 2017, representing an increase of 12.6% when compared with the previous year;

(2) turnover of orthopaedic products of the Group for the year ended 31 December 2017 was approximately RMB870,386,000, representing an increase of 8.3% when compared with the previous year.

The Directors recommended the payment of a final dividend of RMB0.046 per share (2016: RMB0.046), 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 2017

	NOTES	**2017**	2016
		RMB'000	*RMB'000*
			(restated)
Continuing operations			
Revenue	*1*	**6,292,641**	5,619,842
Cost of sales		**(2,299,818)**	(2,042,097)
Gross profit		**3,992,823**	3,577,745
Other income, gains and losses	*2*	**172,786**	105,739
Selling and distribution costs		**(1,922,146)**	(1,553,271)
Administrative expenses		**(419,544)**	(652,436)
Research and development expenses		**(273,825)**	(266,037)
Finance costs	*3*	**(23,879)**	(25,065)
Gain on disposal of a subsidiary		**1,346**	–
Profit before taxation		**1,527,561**	1,186,675
Income tax expense	*4*	**(224,399)**	(153,836)
Profit for the year from continuing operations	*5*	**1,303,162**	1,032,839
Discontinued operation			
Profit for the year from discontinued operation	*6*	**524,121**	104,753
Profit for the year		**1,827,283**	1,137,592
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations			
– subsidiaries		**(7,769)**	8,749
Total comprehensive income for the year		**1,819,514**	1,146,341

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

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017** *RMB'000*	2016 *RMB'000* (restated)
Profit for the year attributable to owners of the Company			
– from continuing operations		**1,256,484**	1,032,606
– from discontinued operation		**473,440**	73,327
Profit for the year attributable to owners of the Company		**1,729,924**	1,105,933
Profit for the year attributable to non-controlling interests			
– from continuing operations		**46,678**	233
– from discontinued operation		**50,681**	31,426
Profit for the year attributable to non-controlling interests		**97,359**	31,659
		1,827,283	1,137,592
Total comprehensive income attributable to:			
Owners of the Company		**1,722,155**	1,114,682
Non-controlling interests		**97,359**	31,659
		1,819,514	1,146,341
Earnings per share			
From continuing and discontinued operations			
Basic *(RMB yuan per share)*	*8*	**0.39**	0.25
Diluted *(RMB yuan per share)*		**0.39**	0.25
From continuing operations			
Basic *(RMB yuan per share)*	*8*	**0.28**	0.23
Diluted *(RMB yuan per share)*		**0.28**	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**3,912,050**	5,371,152
Investment properties		**186,956**	51,415
Deposits paid for acquiring property, plant and equipment		**69,865**	41,195
Prepaid lease payments		**405,035**	466,117
Intangible assets		**41,947**	7,360
Sponsorship rights		**–**	37,958
Interests in an associate		**937,500**	–
Interests in joint ventures		**–**	112,705
Available-for-sale investments		**81,517**	95,411
Goodwill		**202,900**	202,900
Deferred tax assets		**60,628**	59,485
Finance lease receivables		**354,081**	381,741
Loan receivables		**1,474,260**	246,600
		7,726,739	7,074,039
Current assets			
Inventories	*9*	**804,611**	915,586
Loan receivables		**497,963**	–
Trade and other receivables		**3,686,566**	3,498,819
Finance lease receivables		**186,259**	158,993
Pledged bank deposits		**96,178**	36,980
Bank balances and cash	*10*	**3,784,543**	4,071,892
		9,056,120	8,682,270
Current liabilities			
Trade and other payables	*11*	**2,018,297**	2,167,224
Borrowings		**97,906**	296,400
Tax payable		**75,976**	106,904
Deferred income		**4,158**	8,982
Loan from the ultimate holding company		**103,311**	104,411
		2,299,648	2,683,921

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2017

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Net current assets		**6,756,472**	5,998,349
		14,483,211	13,072,388
Capital and reserves			
Share capital	*12*	**452,233**	452,233
Reserves		**12,885,938**	11,414,344
Equity attributable to owners of the Company		**13,338,171**	11,866,577
Non-controlling interests		**305,937**	338,687
Total equity		**13,644,108**	12,205,264
Non-current liabilities			
Borrowings		**804,271**	791,800
Deferred income		**34,832**	75,324
		839,103	867,124
		14,483,211	13,072,388

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non– controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified that to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. REVENUE AND SEGMENT INFORMATION

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

For management purposes, the Group is currently organised into three operating divisions – single use medical device products, orthopaedic products, and others. 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 products	–	production and sale of single use consumables such as infusion sets, syringes, blood transfusion sets and blood bags.
Orthopaedic products	–	production and sale of orthopaedic products.
Others	–	finance lease and factoring business.

The operating segment regarding the manufacture and sale of blood purification products was discontinued in the current year. The segment information reported on the next pages does not include any amounts for this discontinued operation, which are described in more details in note 6.

Segment revenues and results

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

2017

Continuing operations

	Single use medical device products *RMB'000*	Orthopaedic products *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Revenue					
External sales	**5,422,255**	**870,386**	**–**	**–**	**6,292,641**
Inter-segment sales	**16,130**	**1,622**	**–**	**(17,752)**	**–**
Total	**5,438,385**	**872,008**	**–**	**(17,752)**	**6,292,641**
Segment profit	**1,170,398**	**291,590**	**39,963**	**–**	**1,501,951**
Depreciation of investment properties					**(4,229)**
Unallocated other income, gains and losses					**(14,108)**
Interest income from bank					**42,601**
Gain on disposal of a subsidiary					**1,346**
Profit before taxation (continuing operations)					**1,527,561**

2016

Continuing operations

	Single use medical device products *RMB'000* (restated)	Orthopaedic products *RMB'000*	Others *RMB'000* (restated)	Eliminations *RMB'000*	Total *RMB'000* (restated)
Revenue					
External sales	4,816,344	803,498	–	–	5,619,842
Inter-segment sales	12,505	10	–	(12,515)	–
Total	4,828,849	803,508	–	(12,515)	5,619,842
Segment profit	1,084,630	45,180	23,626	–	1,153,436
Depreciation of investment properties					(1,771)
Unallocated other income, gains and losses					(2,784)
Interest income from bank					37,794
Profit before taxation (continuing operations)					1,186,675

Segment profit represents the profit earned by each segment without allocation of depreciation of investment properties, other income, gains and losses of the corporate function, Interest income from bank and gain on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

Segment assets

Continuing operations	**31/12/2017** **_RMB'000_**	31/12/2016 *RMB'000* (restated)
Single use medical device products	**9,085,991**	6,806,876
Orthopaedic products	**1,374,634**	1,273,729
Others	**1,174,912**	613,363
Total segment assets	**11,635,537**	8,693,968
Assets relating to discontinued operation	**–**	2,827,543
Available-for-sale investments	**81,517**	95,411
Interests in an associate	**937,500**	–
Investment properties	**186,956**	51,415
Deferred tax assets	**60,628**	53,222
Pledged bank deposits	**96,178**	31,814
Bank balances and cash	**3,784,543**	4,002,936
Consolidated assets	**16,782,859**	15,756,309

Segment liabilities

Continuing operations	**31/12/2017** **_RMB'000_**	31/12/2016 *RMB'000* (restated)
Single use medical device products	**2,582,054**	2,380,167
Orthopaedic products	**197,044**	157,928
Others	**359,653**	139,946
Total segment liabilities	**3,138,751**	2,678,041
Liabilities relating to discontinued operation	**–**	873,004
Consolidated liabilities	**3,138,751**	3,551,045

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, and interests in an associate; and

- all liabilities are allocated to operating segments.

Other segment information

2017

Continuing operations

	Single use medical device products *RMB'000*	**Orthopaedic products** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	**665,038**	**62,562**	**631**	**728,231**
Allowances for bad and doubtful debts	**25,644**	**1,676**	**7,703**	**35,023**
Allowances for inventories	**–**	**1,712**	**–**	**1,712**
Release of prepaid lease payments	**6,723**	**1,829**	**–**	**8,552**
Amortisation of intangible assets	**–**	**3,687**	**–**	**3,687**
Depreciation of property, plant and equipment	**189,600**	**64,804**	**266**	**254,670**
Loss on disposal of property, plant and equipment	**466**	**1**	**–**	**467**
Research and development expenditure	**238,771**	**35,054**	**–**	**273,825**
Share-based payment expenses	**25,412**	**–**	**–**	**25,412**
Government grants	**(10,587)**	**(6,157)**	**(1,270)**	**(18,014)**
Rebate of value added tax ("VAT")	**(81,488)**	**–**	**–**	**(81,488)**

2016

Continuing operations

	Single use medical device products *RMB'000* (restated)	Orthopaedic products *RMB'000*	Others *RMB'000* (restated)	Total *RMB'000* (restated)
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	449,040	47,146	546	496,732
Allowance for bad and doubtful debts	34,946	6,689	7,950	49,585
Release of prepaid lease payments	7,130	1,253	–	8,383
Amortisation of intangible assets	–	3,115	–	3,115
Depreciation of property, plant and equipment	197,162	57,762	196	255,120
Loss on disposal of property, plant and equipment	1,122	15	–	1,137
Research and development expenditure	208,805	57,232	–	266,037
Share-based payment expenses	10,781	294,889	–	305,670
Government grants	(7,572)	(4,574)	–	(12,146)
Rebate of VAT	(63,880)	–	(1,010)	(64,890)

Revenue from major products

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

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Sale of single use medical device products		
– Infusion sets	**1,668,532**	1,572,897
– Syringes	**859,933**	757,702
– Pre-filled syringes	**717,990**	598,839
– Needles	**1,017,672**	895,272
– Blood bags and sampling products	**416,711**	364,263
– PVC granules	**66,360**	53,003
– Other products	**675,057**	574,368
Sale of orthopaedic products	**870,386**	803,498
	6,292,641	5,619,842

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.

3. OTHER INCOME, GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Continuing operations		(restated)
Other income:		
Rebate of VAT *(note a)*	**81,488**	64,890
Government grants *(note b)*	**18,014**	12,146
Operating rental income	**11,438**	6,753
Finance lease income	**39,034**	35,146
Interest income from bank	**42,601**	37,794
Interest income from factoring business	**18,794**	–
Interest income from loan receivables	**10,844**	6,572
	222,213	163,301
Other gains and losses:		
Allowances for bad and doubtful debts	**(35,023)**	(49,585)
Allowances for inventories	**(1,712)**	–
Net exchange gain (loss)	**1,883**	(4,056)
Loss on disposal of property, plant and equipment	**(467)**	(1,137)
Donation paid	**(16,016)**	(3,651)
Others	**1,908**	867
	(49,427)	(57,562)
	172,786	105,739

Notes:

(a) As Weihai Jierui Medical Products Company Limited ("Jierui"), one of the subsidiary of the Company, was recognised as a "Social Welfare Entity", the Tax Bureau in Weihai granted a rebate of VAT paid by Jierui with effect from 1 May 1999 on the basis of "payment first then rebate". Pursuant to Caishui 2007 No.92 issued by the State Council, with effect from 1 July 2007, Jierui was granted a rebate of VAT determined with reference to the number of staff with physical disability, as well as the standard maximum limit per staff with physical disability. Caishui 2007 No.92 was annulled at 1 May 2016.

Pursuant to Caishui 2016 No.52 issued by the State Council, with effect from 1 May 2016, Jierui was granted a rebate of VAT determined with reference to the number of staff with physical disability. For each staff with physical disability, four times of the minimum salary approved by the local government in Weihai is granted to Jierui as rebate of VAT.

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

(b) During the year, government grants were awarded to the Group mainly for business development and certain research and development expenses occurred and were recognised as other income when the government grants were received. There were no unfulfilled conditions in the year in which they were recognised.

4. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Continuing operations		(restated)
Interest on bank loans and other borrowings	**23,879**	25,065

5. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Continuing operations		(restated)
PRC Enterprise Income Tax		
Current tax	**225,427**	165,415
Underprovision in prior years	**6,379**	2,577
Deferred taxation	**(7,407)**	(14,156)
	224,399	153,836

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 and Shandong Weigao Orthopaedic Device Company Limited ("Weigao Ortho") were recognised as Shandong Province New and High Technical Enterprises（山東省高新技術企業）from the year 2014 to 2016. 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 are in the view that the Company, Jierui and Weigao Ortho have satisfied all current criteria and are currently processing to obtain the approval certificate from relevant tax authority for recognition as Shandong Province New and High Technical Enterprises for year 2017, and anticipate that these entities should continue to enjoy the preferential tax rate of 15%.

Jierui has been recognised as a "Social Welfare Entity" from the year 2016 to 2018. Pursuant to Caishui 2016 No. 52 issued by the State Council, with effect from 1 May 2016, Social Welfare Entity is subject to income tax rate of 15%, and an amount equivalent to the total salaries paid to staff with physical disability is further deducted from the taxable income of Jierui. The tax charge provided for the years ended 31 December 2017 and 2016 were made after taking these tax incentives into account.

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

No provision of overseas taxation has been made for Wellford Capital Limited, Better City Limited, and Brilliant grace limited 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:

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Profit before taxation (from continuing operations)	**1,527,561**	1,186,675
Taxation at the domestic income tax rate of 15% (2016: 15%)	**229,134**	178,001
Tax effect on income not taxable for tax purpose	**–**	(12,512)
Effect of additional tax deduction for research and development expenses	**(17,386)**	(19,323)
Additional tax benefit to a Social Welfare Entity	**(5,466)**	(5,600)
Utilisation of tax losses previously not recognised	**(1,829)**	(535)
Tax effect on tax losses and deductible temporary difference not recognised	**3,565**	2,775
Tax effect on expenses not deductible for tax purpose	**2,442**	5,204
Effect on different tax rates of subsidiaries	**7,560**	3,249
Underprovision in prior years	**6,379**	2,577
Income tax expense for the year (relating to continuing operations)	**224,399**	153,836

6. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Continuing operations		(restated)
Profit for the year has been arrived at after charging:		
Allowances for bad and doubtful debts	**35,023**	49,585
Allowances for inventories	**1,712**	–
Amortisation of intangible assets	**3,687**	3,115
Auditors' remuneration	**4,264**	3,548
Depreciation of property, plant and equipment	**254,670**	255,120
Depreciation of investment properties	**4,229**	1,771
Prepaid lease payments charged to profit or loss	**8,552**	8,383
Rental payments in respect of premises under operating leases	**16,967**	14,211
Cost of inventories recognised as an expense	**2,299,818**	2,042,097
Staff costs, including directors' and supervisors' remuneration		
– Retirement benefits scheme contributions	**96,494**	95,312
– Salaries and other allowances	**1,109,431**	923,543
– Share-based payment expenses	**25,412**	305,670
Total staff costs	**1,231,337**	1,324,525
Loss on disposal of property, plant and equipment	**467**	1,137

7. DISCONTINUED OPERATION

Weigao Blood Purification, previously as a subsidiary of the Company, which carried out all of the blood purification products operation, was deemed as disposed upon completion of the subscriptions.

The profit for the year from the discontinued blood purification products operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income has been restated to re-presented the blood purification products operation as a discontinued operation.

	2017	2016
	RMB'000	*RMB'000*
Profit of blood purification products operation for the year	**133,053**	104,753
Gain on deemed disposal of blood purification products operation	**391,068**	–
	524,121	104,753

The results of blood purification products operation included in the consolidated statement of profit or loss and other comprehensive income for the year are set out below. The comparative profit and cash flows from discontinued operation have been re-presented to include the operation classified as discontinued in the current year.

	2017	2016
	RMB'000	*RMB'000*
Profit for the year from discontinued operation		
Revenue	**1,392,903**	1,110,498
Cost of sales	**(712,753)**	(551,675)
Other income, gains and losses	**17,231**	1,651
Selling and distribution costs	**(346,244)**	(285,902)
Administrative expenses	**(94,308)**	(79,027)
Research and development expenses	**(31,102)**	(36,641)
Finance costs	**(34,483)**	31,697
Share of (loss) profit of joint ventures	**(23,904)**	464
Profit before tax from discontinued operation	**167,340**	127,671
Income tax expense	**(34,287)**	(22,918)
Profit for the year from discontinued operation	**133,053**	104,753

	2017	2016
	RMB'000	*RMB'000*
Cash flows from discontinued operation		
Net cash inflows from operating activities	**163,952**	188,217
Net cash outflows from investing activities	**(795,667)**	(203,052)
Net cash inflows(outflows) from financing activities	**562,758**	(42,652)
Net cash outflows	**(68,957)**	(57,487)

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2017 Interim – RMB0.043		
(2016: interim dividend – RMB0.041) per share	**194,460**	185,416
2016 Final – RMB0.046		
(2015: final dividend – RMB0.036) per share	**208,027**	162,804
Total	**402,487**	348,220
Less: distribution to the shares hold by the trustees under a share award scheme	**4,090**	3,539
	398,397	344,681

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of RMB0.046 (2016: RMB0.046) per share, amounting to RMB208,027,000 (2016: RMB208,027,000) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

9. EARNINGS PER SHARE

For continuing operations

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

Earnings figures are calculated as follows:

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Profit for the year attributable to owners of the Company	**1,729,924**	1,105,933
Less: Profit for the year from discontinued operation	**473,440**	73,327
Earnings for the purpose of basic/diluted earnings per share from continuing operations	**1,256,484**	1,032,606

	2017	2016
	'000	*'000*
Number of shares		
Number of shares for the purpose of basic earnings per share	**4,476,372**	4,476,372
Effect of dilutive potential ordinary shares:		
Incentive shares	**6,924**	1,533
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,483,296**	4,477,905

From continuing and discontinued operations

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

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Earnings		
Profit for the year attributable to owners of the Company	**1,729,924**	1,105,933

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

Basic earnings per share for the discontinued operation is RMB0.11 yuan per share (2016: RMB0.02 yuan per share) and diluted earnings per share for the discontinued operation is RMB0.11 yuan per share (2016: RMB0.02 yuan per share), based on the profit for the year from the discontinued operation of RMB473,440,000 (2016: RMB73,327,000) and for the denominators detailed above for both basic and diluted earnings per share.

10. INVENTORIES

	31/12/2017	31/12/2016
	RMB'000	*RMB'000*
Raw materials	**117,497**	125,349
Finished goods	**687,114**	790,237
	804,611	915,586

11. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The deposits carry interest rates which range from 0.3% to 3.2% per annum (2016: 0.35% to 3.3% per annum).

As at 31 December 2017, bank balances included deposits of RMB235,872,000 (2016: nil) carrying interest rate of 0.8% per annum (2016: nil), in an associate of ultimate holding company.

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:

	31/12/2017	31/12/2016
	RMB'000	*RMB'000*
0 to 90 days	**381,989**	391,252
91 to 180 days	**77,192**	65,150
181 to 365 days	**10,617**	10,627
Over 365 days	**27,312**	29,109
Trade payables	**497,110**	496,138
Bills payable	**154,660**	98,010
Advances from customers	**74,206**	90,758
Other tax payables	**109,472**	101,304
Construction cost and retention payables	**61,930**	243,757
Selling expense payables	**644,154**	550,186
Other payables	**476,765**	494,913
Dividend payables	**–**	92,158
	2,018,297	2,167,224

The normal credit period taken for trade purchases is 90 - 180 days. All the bills payable will mature within six months.

Included in trade payables are an amount due to fellow subsidiaries of RMB15,258,000 (2016: RMB30,522,000), an amount due to an associate of RMB45,394,000 (2016: nil), an amount due to ultimate holding company of RMB1,000 (2016: nil), The amounts are unsecured, interest-free and repayable on demand.

Included in advances from customers are an amount received from fellow subsidiaries of RMB830,000 (2016: RMB864,000), an amount received from an associate of RMB652,000 (2016: nil), and an amount received from ultimate holding company of RMB9,000 (2016: nil).

Included in other payables are an amount due to fellow subsidiaries of RMB49,990,000 (2016: 369,000), an amount due to an associate of RMB9,010,000 (2016: nil), and an amount due to ultimate holding company of RMB14,431,000 (2016: RMB22,173,000). The amounts are unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

	Nominal value of each share	Number of Non-listed shares	Number of H shares	Total number of shares	Value
	RMB	*(note a)*	*(note a)*		*RMB'000*
Registered:					
At 1 January 2017 and 31 December 2017	0.1	2,638,600,000	1,883,732,324	4,522,332,324	452,233
Issued and fully paid:					
At 1 January 2016	0.1	2,592,640,000	1,883,732,324	4,476,372,324	447,637
Ordinary shares issued *(note b)*	0.1	45,960,000	–	45,960,000	4,596
At 31 December 2016 and 31 December 2017	0.1	2,638,600,000	1,883,732,324	4,522,332,324	452,233

Notes:

(a) 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.

(b). The Company issued ordinary shares of 45,960,000 shares with consideration of RMB101,112,000 in 2016 for the purpose of share award scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimization of product mix

During the Year, gross profit margin of the Group remained stable at 63.5% (2016: 63.7%). With continuous optimization of product mix, management improvement and technology updates, the Company was able to offset the rise in product costs caused by the substantial increase in raw materials procurement costs.

1. Consumables: the Group recorded a turnover for consumable products of approximately RMB5,422,255,000, representing an increase of 12.6% when compared with the previous year.

   During the Year, the sales of the Group's specialized infusion sets with precision filter, infusion sets for special use and the infusion sets made of proprietary non-PVC based material continued to grow. The turnover of infusion sets of the Group amounted to approximately RMB1,668,532,000, representing an increase of 6.1% over last year. The Directors believe that specialized infusion sets with precision filter, infusion sets for clinical special use and non-PVC based infusion sets have development potential in the PRC. The Group will continue to consolidate its core competitiveness in this sector.

   Turnover for needle products of the Group for the Year was approximately RMB1,017,672,000, representing an increase of 13.7% when compared with the previous year. During the Year, in view of the intensive competition from domestic needle products manufacturers, the Company further improved and enhanced its product functionalities, conducted product segmentation and accelerated new products launch, whereby leading to an increase in overall revenue of such products through sales of safety intravenous catheter needles and intravenous catheter needles ancillary consumables. The Company would continue to increase its ongoing investments in needle products to enable such products to remain as one of the important segments for the future development of the Company.

Turnover of syringe products for the Year amounted to approximately RMB859,933,000, representing an increase of 13.5% when compared with previous year. The remarkable growth of radiation-resistant infusion sets and exported syringes led to an increase in the revenue of syringe products. The Board is of the view that there will be a good market development for the radiation-resistant infusion sets because of improvement in product safety and on the environment.

Turnover of pre-filled syringes and pre-filled flush syringe products for the Year amounted to approximately RMB717,990,000, representing an increase of 19.9% when compared with previous year. The pre-filled syringes and pre-filled flush syringes achieved optional utilization of production capacity. With advantages of pre-filled syringes in multiple segment markets, it continued to maintain a good growth pace. Pre-filled flush syringes continued to maintain a relatively high growth momentum driving the overall growth of consumables. The Group will continue to maintain a favourable position in such market.

Turnover of wound management products for the Year amounted to approximately RMB182,004,000, representing an increase of 6.0% when compared with last year. Market development for anastomat, sutures and functional dressing progressed smoothly with higher sales growth.

2. Orthopaedic business recorded a turnover of approximately RMB870,386,000 during the Year, representing an increase of 8.3% as compared with previous year. During the Year, orthopaedic segment promoted sales growth by establishing regional warehouses and logistics platform and continued launching of new products. With continued launching of spine and joint products to the market, it provided strong supports for sales growth.

   During the Year, as a result of product mix adjustment, the percentage of turnover from high value-added products under continuing operation (products with gross profit margins over 60%) to total turnover was at 59.7% (2016: 59.6%).

RESEARCH AND DEVELOPMENT

For the twelve months ended 31 December 2017, product registration certificates for 29 new products under continuing operation were obtained by the Group. The research and development for 30 products were completed for which applications for product registration certificates are underway. The Group obtained 44 new patents and 76 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 2017, the continuing operations of the Group had over 360 product registration certificates and over 440 patents, of which 53 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 the leading position in research and development capability in China. For the twelve months ended 31 December 2017, total research and development expenses from continuing operation amounted to approximately RMB273,825,000 (2016: approximately RMB266,037,000), representing 4.4% (2016: 4.7%) of the revenue of the Group.

PRODUCTION

During the Year, in order to constantly expand production capacity, the Group continued to expand its production facilities including pre-filled flush syringe workshop and pre-filled syringe workshop to satisfy the sales demand for future market growth.

SALES AND MARKETING

The Group continually optimized marketing management, built and expanded the sales teams of specialized products in the consumables sector and further increased the market share of newly launched products.. The Group achieved substantial results in key client accounts management. The Group also increased the staff headcount for clinical marketing, placed more resources to support market channels and continued to promote hospital administrators and medical staff training projects.

During the Year, the Group strengthened 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）. As at the date of this announcement, the continuing operations of the Group has a total customer base of 5,117 (including 2,430 hospitals, 414 blood stations, 587 other medical units and 1,686 distributors).

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

TURNOVER BY GEOGRAPHICAL SEGMENTS

	2017	2016	Increase/ (Decrease) over corresponding period %
	RMB'000	*RMB'000*	
Eastern and Central	**2,698,118**	2,495,657	8.1%
Northern	**1,407,858**	1,196,515	17.7%
Northeast	**676,203**	562,832	20.1%
Southern	**471,260**	438,303	7.5%
Southwest	**502,137**	475,632	5.6%
Northwest	**200,499**	187,525	6.9%
Overseas	**336,566**	263,378	27.8%
Sub-total	**6,292,641**	5,619,842	12.0%

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 10.3% when compared with last year. It continued to drive up the product penetration to high-end customers and was an important approach in generating revenue growth for the Group.

Adjustment in product mix was another important factor in enhancing the results for the Year. 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 six months ended 31 December**		
	2017	2016	Over corresponding period	**2017**	2016	Over corresponding period
	RMB'000	*RMB'000*	*%*	***RMB'000***	*RMB'000*	*%*
Infusion sets	**1,668,532**	1,572,897	6.1%	**862,068**	814,992	5.8%
Needles	**1,017,672**	895,272	13.7%	**545,996**	468,449	16.6%
Syringes	**859,933**	757,702	13.5%	**457,998**	389,080	17.7%
Pre-filled syringes	**717,990**	598,839	19.9%	**349,018**	307,107	13.6%
Blood bags	**307,241**	274,623	11.9%	**166,570**	141,973	17.3%
Wound management	**182,004**	171,624	6.0%	**91,159**	87,668	4.0%
Blood sampling products	**109,470**	89,640	22.1%	**59,821**	46,283	29.3%
PVC granules	**66,360**	53,003	25.2%	**37,050**	25,939	42.8%
Others	**493,053**	402,744	22.4%	**264,234**	183,343	44.1%
Sub-total for single-use consumables	**5,422,255**	4,816,344	12.6%	**2,833,914**	2,464,834	15.0%
Orthopaedic products	**870,386**	803,498	8.3%	**480,797**	462,986	3.8%
Total	**6,292,641**	5,619,842	12.0%	**3,314,711**	2,927,820	13.2%

HUMAN RESOURCES

As at 31 December 2017, the continuing operations of the Group employed a total of 7,866 employees. The breakdown by departments when compared with last year is as follows:

DEPARTMENT

	2017	2016
Production	**3,842**	4,296
Sales and marketing	**2,287**	2,309
Research and development	**1,037**	1,007
Finance and administration	**320**	358
Quality control	**163**	135
Management	**154**	153
Purchasing	**63**	62
Total	**7,866**	8,320

Save for the four employees (including 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, the welfare and social benefits from continuing operations of the Group amounted to approximately RMB1,231,337,000 (2016: RMB1,324,525,000).

REMUNERATION SYSTEM

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

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group recorded a turnover from continuing operations of RMB6,292,641,000, representing an increase of 12.0% over the previous financial year. Net profit attributable to the owners of the Company was approximately RMB1,729,924,000 (2016: net profit attributable to the owners of the Company of approximately RMB1,105,933,000), representing an increase of approximately 56.4% as compared with the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB1,338,856,000 (2016: net profit attributable to the owners of the Company (excluding extraordinary items) of approximately RMB1,308,964,000), representing an increase of approximately 2.3% over the previous year. Net profit from continuing operation attributable to the owners of the Company was approximately RMB1,256,484,000 (2016: net profit from continuing operation attributable to the owners of the Company (excluding extraordinary items) of approximately RMB1,235,637,000), representing an increase of approximately 1.7% over the previous year.

FINANCIAL SUMMARY

	2017	2016	Increase
	RMB'000	*RMB'000*	*%*
Turnover from continuing operations	**6,292,641**	5,619,842	12.0%
Gross profit from continuing operations	**3,992,823**	3,577,745	11.6%
Net profit attributable to the owners of the Company	**1,729,924**	1,105,933	56.4%
Net profit attributable to the owners of the Company (excluding extraordinary items)	**1,338,856**	1,308,964	2.3%
Net profit from continuing operations attributable to the owners of the Company (excluding extraordinary items)	**1,256,484**	1,235,637	1.7%

During the Year, extraordinary items recorded an accounting gain for Weigao Blood Purification after it became an associate of the Company upon the completion of capital increase, among which approximately RMB391,068,000 (2016: among the expenses incurred due to the implementation of orthopaedic share award scheme arising from extraordinary items, approximately RMB203,031,000 had affected the net profit attributable to owners of the Company) had affected the net profit attributable to owners of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position during the Year. As at 31 December 2017, the Group's cash and bank balance amounted to approximately RMB3,784,543,000. For the year ended 31 December 2017, net cash flow from operating activities of the Group amounted to approximately RMB1,267,008,000. The Group has maintained a sound cash flow position.

Total interest expenses from continuing operation of the Group for the year ended 31 December 2017 were approximately RMB23,879,000 (2016: approximately RMB25,065,000).

GEARING RATIO

As at 31 December 2017, total net cash of the Group amounted to approximately RMB2,779,055,000 (2016: RMB2,879,281,000) and the gearing ratio of the Group was 7.5%, compared to 10.1% as of the same period last year. The gearing ratio which represents total debt as a percentage of total capital. Total debt is calculated as total borrowings. Total capital is calculated as the Group's shareholders' fund.

FOREIGN EXCHANGE RISKS

The Group's purchases and sales are mainly conducted in the PRC. All of its assets, liabilities and transactions are denominated in RMB. For the year ended 31 December 2017, the Group had not encountered any material difficulty due to currency fluctuation nor affecting its own operating funds. For the twelve months ended 31 December 2017, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

Due to the change in exchange rates, foreign exchange gain from continuing operations equivalent to RMB1,883,000 for the year ended 31 December 2017 was recognised (2016: foreign exchange loss equivalent to RMB4,056,000) by the Company.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2017.

MATERIAL INVESTMENTS/FUTURE MATERIAL INVESTMENT PLANS

1. During the Year, the Group continued to invest approximately RMB1,512,637,000 for purchase of properties and production facilities; and for the construction of the Group's medical consumables industrial zone.

2. During the Year, Weihai Weigao Blood Purification Products Company Limited ("Weigao Blood Purification") issued new shares to its management and some of its existing shareholders and a strategic investor. The shareholding of the Company has been diluted from 70% to 46.875%. Due to the change in the composition of the board of directors of Weigao Blood Purification, the Company no longer controls the board of Weigao Blood Purification. Weigao Blood Purification ceased to be a subsidiary of the Company and is accounted for as an associated company. As such, segment reporting on the manufacturing and sale of blood purification products had been ceased during the Year.

3. In 2017, the Group through its 100% wholly owned subsidiary, Weigao International Medical Company Limited ("Weigao International") formed a joint venture ("JV") with an independent third party. The JV is owned as to 90% by Weigao International and 10% of the JV partner. On 23 January 2018, the JV completed the acquisition of Argon Medical Devices Holdings. Inc. ("Argon") for a consideration of US$844.2 million (subject to customary post-closing adjustments) of which US$420 million was debt financing raised by Argon. The remaining 90% of US$424.2 million, being US$381.8 million, was funded by Weigao International from its internal resources. Argon will become one of the core platforms for the overseas expansion of the Group.

4. In 2018, the Group plans to invest approximately RMB250,000,000 for constructing new pre-filled syringe production workshops and purchase of new production lines, which are expected to be in production successively by the end of 2019.

5. The upgrading and reconfiguration of the single-use consumables production equipment is ongoing in 2018. It is planned that an additional approximately RMB120,000,000 will be invested to further raise the level of production automation.

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 2017.

CAPITAL COMMITMENTS

As at 31 December 2017, the capital commitments of the Group and the Company contracted but not provided for in respect of the acquisition of Argon and the acquisition of property, plant and equipment amounted to approximately RMB2,948,758,000 (2016: RMB643,540,000). The above amounts will be financed by the internal resources of the Group.

PLEDGE OF THE GROUP'S ASSETS

As at 31 December 2017, the Group did not pledge the land use rights and buildings (2016: RMB Nil), but the Group had pledged the equity interest in Weigao Jierui, a wholly-owned subsidiary of the Group, to secure the long-term borrowings from International Finance Corporation, and pledged bank deposits of RMB96,178,000 (2016: RMB36,980,000) to secure the bills and banking facilities granted to the Group.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2017, total reserves of the Group amounted to RMB12,885,938,000 (2016: RMB11,414,344,000).

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 2017, the distributable reserves of the Company were approximately RMB3,391,686,000 (2016: RMB2,942,314,000).

REVIEW AND OUTLOOK

In 2017, by overcoming the impact from various adverse factors such as lower tender prices, government policies of price control, in regulating distribution arrangement in medical device sector and the rise in production costs, the Company continued to adhere to product mix optimisation and adjustment strategy, constantly improved and upgraded product functionality and increased investment in technical renovation, with an aim to enhance production efficiency, improve product quality and constantly launching new products. In addition to enhancing the sales management strategy and integrating marketing resources, sharing of key accounts and financing arrangements to facilitate sales as well as implementing staff incentive arrangement, the Company continued to maintain growth in revenue and profit despite obvious slowdown in industry growth and intensified competition.

LOOKING FORWARD TO 2018

Through proprietary research and development and leveraging on the cooperation with research institutes, the Company will strengthen product upgrading and research and development capabilities, further strengthening existing product lines, intensify the marketing of wound management products, highlight product safety and patient application safety, improve patient treatment experience and quicken the pace in launching pipeline products, offsetting numerous adverse impacts to maintain its competitive edge. During the Year, the Company will reinforce or launch a series of new products including DEHP-free infusion sets, radiation-resistant infusion sets, central venous catheters, flush syringes (cyclo olefin polymer), orthopedic spines, joints and ultrasonic bone scalpel.

In view of the effectiveness achieved by key client accounts management, the Company will continue such strategy and increase single customer contribution by promoting various products via the key accounts management. By developing the financing lease business around the Company's industry chain and forming synergies and driving sales between financial services and product sales.

Regarding the in-depth implementation of national medical reform policies such as "two-invoice system", proportion control of medical consumables in public hospitals and single-disease payment, the Company considers that despite such policies may have adverse impact on the financial performance to a certain extent in the short term, however, they will facilitate industry concentration and increase the market share of domestic branded products in the long-term and benefit the growth of outstanding enterprises in the industry.

As overseas market is the focus of our medium and long-term strategic plan, the Company will proactively develop its overseas business layout and proceed with marketable product registration in target market, gradually establish long-term stable sales channel and network, and explore the production and marketing pattern in overseas market. The proportion of sales in overseas markets to the total revenue of the Group is expected to increase gradually.

The acquisition of Argon has been successfully completed. At the strategic level, Argon will become the Group's platform for overseas expansion and play an active role in technological upgrade, product innovation and mergers and acquisitions. At the business operation level, the Group will formulate a plan with the management team of Argon to implement the sale of interventional products in the market in China. The management considers that Argon as a part of Weigao will make an important contribution to the long-term stable development of the Group.

The Company will continue to improve and extend existing product lines and introduce advanced technologies through equity investments and mergers and acquisitions.

While continuously carrying out automation and supply chain management improvement in production, the Company will continue to improve its product quality and to, increase production efficiency to maintain cost advantages.

By relying on its enriched product lines and solid research and development advantages, continue to launch new products and improve product upgrades, insist on adapting to market and future-oriented operating strategy, and motivate employee creativity, the management believes that the Company will continue to maintain its leading position in the PRC market. Meanwhile, the Company will proactively develop overseas business to achieve the coordinated development of domestic and foreign markets, supporting the stable growth in the operating results of the Group.

SHARE AWARD SCHEME REGARDING NON-LISTED SHARES OF THE COMPANY

As approved on the extraordinary general meeting and class meetings on 17 November 2014 (the "Adoption Date"), 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 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 on the Adoption Date. The incentive shares allotted to the eligible participants 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.

On 11 December 2015, the Company granted 45,960,000 incentive shares to 111 selected employees. On 4 January 2016, the trustees subscribed the shares with the consideration of RMB101,112,000 at the grant price of RMB2.20 per share.

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$672 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 is jointly secured by 100% equity interest of Jierui that owned by the Company and 230,000,000 shares of the Company that owned by Weigao Holding. Details of the Loan Agreement are set out in the announcement of the Company dated 27 January 2015.

EVENT AFTER REPORTING PERIOD

On 22 September 2017, the JV entered into an agreement to acquire 100% equity interest in Argon. On 23 January 2018, the JV completed the acquisition of Argon Medical Devices Holdings. Inc. ("Argon") for a consideration of US$844.2 million (subject to customary post-closing adjustments) of which US$420 million was debt financing raised by Argon. The remaining 90% of US$424.2 million, being US$381.8 million, was funded by Weigao International from its internal resources. Details of the acquisition are set out in the Group's announcements dated 24 September 2017 and 24 January 2018. The initial accounting for the business combination is incomplete at the time the consolidated financial statements are authorised for issue. The fair value of the assets and liabilities of Argon is still under review. Argon focuses mainly in the high-end biopsy, vascular and drainage medical devices with multiple physician-preference products.

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

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

BOARD PRACTICES AND PROCEDURES

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

CHANGE OF BOARD COMPOSITION AND SENIOR MANAGEMENT

1. Mr. Cui Jin has resigned as the Chief Financial Officer of the Company with effect from 17 February 2017.

2. Mr. Wu Xue Feng has been appointed as the Chief Financial Officer of the Company with effect from 17 February 2017.

3. Mr. Xia Lie Bo (夏列波) has resigned as an executive Director with effect from 4 December 2017.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

INTERNAL CONTROL

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

AUDIT COMMITTEE

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

CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON EXECUTIVE DIRECTORS

The Company confirmed that it had received the annual confirmation of independence from each of the Independent Non-executive Directors in compliance with Rule 3.13 of the Listing Rules on 27 March 2018. The Company is of the view that the Independent Non-executive Directors remain independent during the Year in accordance with the relevant requirements of Rule 3.13 of the Listing Rules.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has complied with the code provision of the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Attending and Voting in the Annual General Meeting

In order to determine the shareholders who are entitled to attend and vote at the Annual General Meeting, the register of members of the Company for both H Shares and Non-listed Shares will be closed from Saturday, 19 May 2018 to Monday, 18 June 2018 (both days inclusive), during which period no transfer of H Shares or Non-listed Shares will be effected. In order to qualify for attending and voting in the Annual General Meeting, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 18 May 2018.

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

Latest time to lodge in transfer instrument accompanied by the share certificates for H Shares	4:30 p.m., Friday, 18 May 2018
Closure of register of members of the Company for attending and voting in the Annual General Meeting	Saturday, 19 May 2018 to Monday, 18 June 2018 (both days inclusive)
Latest time to lodge in the reply slip	Tuesday, 29 May 2018
Date of the Annual General Meeting	Tuesday, 19 June 2018

Entitlement of Proposed Final dividend

In order to determine entitlement to the proposed final dividend payment, the register of members of the Company for both H Shares and Non-listed Shares will be closed from Saturday, 23 June 2018 to Thursday, 28 June 2018 (both days inclusive), during which period no transfer of H Shares or Non-listed Shares will be effected. In order to qualify for entitlement of the proposed final dividend, holders of H Shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share registrar, Tricor Standard Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 22 June 2018.

In order to qualify to entitle the final dividend for the year ended 31 December 2017:–

Latest time to lodge in transfer instrument accompanied by the share certificates for H Shares	4:30 p.m., Friday, 22 June 2018
Closure of register of members of the Company for entitlement of the final dividend for the year ended 31 December 2017	Saturday, 23 June 2018 to Thursday, 28 June 2018 (both day inclusive)
Record date for the entitlement of the final dividend	Thursday, 28 June 2018
Expected despatch date of the final dividend	Friday , 27 July 2018

The final dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Friday, 27 July 2018.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2017 of RMB0.046 (2016: RMB0.046) (before considering any tax effect) per share totaling RMB208,027,000 (2016: RMB208,027,000), which will be subject to the approval of shareholders of the Company at the forthcoming 2017 annual general meeting. Dividend payable to holders of non-listed shares will be paid in Renminbi, whereas dividend payable to holders of the H shares will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the average exchange rate published by The People's Bank of China during the week prior to the Annual General Meeting. Subject to the approval of the Annual General Meeting, the 2017 final dividend will be paid on 19 June 2018.

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

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

PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H Shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

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

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from or in connection with any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

Shareholders are recommended to consult their tax advisors regarding the PRC, Hong Kong and other tax implications arising from or in connection with their holding and disposal of the H shares of the Company.

PUBLICATION OF FINANCIAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is available for viewing on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2017 will be dispatched to shareholders of the Company and published on the Stock Exchange and the Company's websites respectively in due course.

By Order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Zhang Hua Wei
Chairman

27 March 2018
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)*
Mrs. Zhou Shu Hua *(Non-executive Director)*
Mr. Lo Wai Hung *(Independent non-executive Director*
Mrs. Fu Ming Zhong *(Independent non-executive Director)*
Mrs. Wang Jin Xia *(Independent non-executive Director)*