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)

first quarterly report 2005

* For identification purposes only

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This report, for which the directors (the "Directors") of Shandong Weigao Group Medical Polymer Company Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in This report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

For the three months ended 31st March 2005, the Company and its subsidiaries (the "Group") recorded a net profit of RMB16,562,000, representing an increase of approximately 36.3% over the corresponding period in the previous year. Turnover was RMB113,912,000, an increase of approximately 39.4% over the corresponding period in the previous year.

The Company's new workshop for blood transfusion consumables commenced operation in February 2005, adding new production area of 5,538 sq.m.

The Company devoted more efforts in market development, and made significant progress in securing new customers. For the three months ended 31st March 2005, the Group secured 194 new customers as at the end of the quarter, including 117 hospitals and 14 blood stations. As at 31st March 2005, the total number of customers of the Group was 4,816.

Good progress was also made on research projects. In the quarter, four patent applications and eighteen new product registration applications were made. One new product registration certificate was obtained. Total expenditures on research and development during the quarter amounted to RMB1,991,000.

The Directors do not recommend the distribution of interim dividend for the three months ended 31st March 2005.

Unaudited Consolidated Results

The Board is pleased to announce the unaudited consolidated results of the Group for the first quarter ended 31st March 2005, together with the comparative figures for the corresponding periods in 2004 as follows:

	Note	Unaudited For the three months ended 31st March 2005 RMB'000	2004 RMB'000
Turnover	2	113,912	81,708
Operating costs		(70,402)	(48,437)
Gross profit		43,510	33,271
Other operating income		2,104	2,019
Distribution costs		(16,257)	(12,457)
Administrative expenses		(6,865)	(5,705)
Profit from operations	4	22,492	17,128
Finance costs	5	(5,011)	(3,588)
Share of profit of a jointly controlled entity		59	—
Share of loss of an associate		—	(58)
Profit before taxation		17,540	13,482
Taxation	6	—	(1,131)
Profit before minority interests		17,540	12,351
Minority interests		(978)	(196)
Net profit attributable to shareholders	7	16,562	12,155
Dividend	8	—	—
Earnings per share (Basic)	9	RMB0.019	RMB0.018

Notes:

1. Principal activities and basis of presentation

The Company is a joint stock limited company incorporated in Shandong Province, the People's Republic of China (the "PRC") on 28th December 2000 under the approval document Lu Ti Gai Han Zi 2000 No. 39 issued by the Reform Office of Shandong Province, its ultimate holding company is Weigao Group Company Limited (威高集團有限公司) ("Weigao Holding") , a company registered in the PRC with limited liability.

The Company is mainly engaged in the research and development, production and sales of single-use medical devices.

The H Shares of the Company were successfully listed on the Growth Enterprise Market ("GEM") of the Stock Exchange on 27th February 2004.

The financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong, the Statements of Standards Accounting Practice of Hong Kong as well as the disclosure requirements under the Companies Ordinance, and have been prepared on the basis of historical cost.

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

2. Turnover

Turnover represents the amounts received and receivable from the Group's goods sold to external customers, net of sales tax and returns during the period.

3. Segment information

The Group is mainly engaged in the production and sales of single-use sterile medical products. Its principle sales operations are concentrated in the PRC. All significant identifiable assets of the Group are situated in the PRC. Accordingly, no segmental analysis is presented.

4. Profit from operations

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

	Unaudited For the three months ended 31st March	
	2005	2004
	RMB'000	*RMB'000*
Allowances for bad debts	573	463
Auditors' fee	—	—
Depreciation and amortisation	4,845	3,279
Fees and expenses incurred under operating leases	532	437
Research and development expenditure	1,991	1,617
Staff costs, including directors' remuneration		
- Retirement benefits scheme contributions	2,737	1,746
- Salaries and wages	10,949	7,178
Total staff costs	13,686	8,924
Gain on disposal of property and equipment	(31)	(8)
Interest income	(117)	(20)
Rebate of value added tax (note)	(1,881)	(1,931)

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

5. Finance costs

Finance costs for the three months ended 31st March 2005 were RMB5,011,000, which mainly included interest expenses on bank and other borrowings and represented an increase of 39.66% over the corresponding period in 2004, mainly due to the increase in loan balances at the beginning of the period.

6. Taxation

Income taxes were verified and calculated on accrual basis. Income taxes are calculated on the basis of the assessable income computed in accordance with the relevant tax laws from the accounting income of this period, after making corresponding adjustment.

The Company was listed on GEM in Hong Kong on 27th February 2004 (the "Listing"). 264,500,000 H Shares were issued, representing 30.6% of the total registered capital. Upon the approval obtained from the Ministry of Commerce of the PRC in July 2004, the Company was approved as a foreign invested enterprise. According to the tax laws and regulations in the PRC, the Company was entitled to the preferential tax treatment of exemption for the first two years and 50% reduction for three years thereafter, commencing from 1st July 2004. Therefore, no income tax is payable for the quarter.

According to the "Notice of Recognition of Weihai Jierui Medical Products Company Limited as a Social Welfare Entity" Lu Min Han 1999 No. 25 issued by the Civil Administration Bureau of the Shangdong Province, it was confirmed that Jierui Subsidiary was entitled to the preferential tax treatment for a social welfare enterprise. Jierui Subsidiary has applied to the Torch Hi-tech Industrial Development Zone sub-bureau of Weihai Local Tax Bureau for exemption of enterprise income tax ("EIT") for the previous year.

Weihai Weigao Blood Purified Product Co., Ltd. (威高血液淨化製品有限公司) ("Weigao Blood") is subject to an EIT rate of 33%.

Under the approval document Shen He Guo Shui Deng Zi (2005) No. 0049 "Notice of Tax Reduction and Exemption Approval" issued by Shenyang State Tax Bureau Shenhe Branch, Shenyang Weigao Jinbao Trading Co., Ltd. (瀋陽威高金寶商貿有限公司) ("Weigao Jinbao") is exempted from EIT in 2005.

7. Net profit attributable to shareholders

For the three months ended 31st March 2005, the Group's net profit attributable to shareholders was RMB16,562,000 (corresponding period in 2004: RMB12,155,000).

8. Dividend

The Directors do not recommend distribution of interim dividend for the three months ended 31st March 2005 (2004: Nil).

9. Earnings per share

Basic earnings per share for the three months ended 31st March 2005 was calculated based on net profit attributable to shareholders of RMB16,562,000 (corresponding period in 2004: RMB12,155,000) and the weighted average total number of shares of 864,500,000 shares (corresponding period in 2004: 688,166,667 shares).

Movement in Reserves

	Share premium reserve *RMB'000*	Statutory surplus reserve *RMB'000 (Note b)*	Statutory public welfare fund *RMB'000 (Note c)*	Retained earnings *RMB'000*	Total *RMB'000*
THE GROUP					
As at 1st January 2004	—	10,821	5,410	79,232	95,463
Premium from issue of shares	146,012	—	—	—	146,012
Share issue expenses	(19,164)	—	—	—	(19,164)
Net profit for the year	—	—	—	65,888	65,888
Dividend paid	—	—	—	(6,052)	(6,052)
Appropriation *(Note a)*	—	8,739	4,370	(13,109)	—
As at 1st January 2005	126,848	19,560	9,780	125,959	282,147
Net profit for the period	—	—	—	16,562	16,562
As at 31st March 2005	126,848	19,560	9,780	142,521	298,709
Representing:					
Final dividend to be distributed for the 12 months ended 31st December 2004	—	—	—	(11,238)	(11,238)
Reserves	126,848	19,560	9,780	131,283	287,471

	Share premium reserve *RMB'000*	Statutory surplus reserve *RMB'000 (Note b)*	Statutory public welfare fund *RMB'000 (Note c)*	Retained earnings *RMB'000*	Total *RMB'000*
THE COMPANY					
As at 1st January 2004	—	10,821	5,410	40,728	56,959
Premium on issue of shares	146,012	—	—	—	146,012
Share issue expenses	(19,164)	—	—	—	(19,164)
Net profit for the year	—	—	—	43,011	43,011
Dividend paid	—	—	—	(6,052)	(6,052)
Appropriation *(Note a)*	—	6,487	3,243	(9,730)	—
As at 1st January 2005	126,848	17,308	8,653	67,957	220,766
Net profit for the period	—	—	—	11,224	11,224
As at 31st March 2005	126,848	17,308	8,653	79,181	231,990
Representing:					
Final dividend to be distributed for the 12 months ended 31st December 2004	—	—	—	(11,238)	(11,238)
Reserves	126,848	17,308	8,653	67,943	220,752

Notes:

(a) Bases for appropriation to reserves

Appropriation to Statutory Surplus Reserve and Statutory Public Welfare Fund have been calculated based on the net profits in the financial statement prepared under the generally accepted accounting principles of the PRC ("PRC GAAP").

(b) Statutory Surplus Reserve

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

(c) Statutory Public Welfare Fund

Under the PRC Company Law, the Company is required to transfer 5% to 10% of its profit after taxation prepared under the PRC GAAP to the Statutory Public Welfare Fund. The Statutory Public Welfare Fund can only be used for capital items of the collective welfare of the employees. Individual employees have only the right of using such facilities, while the ownership still belong to the Company. Statutory Public Welfare Fund is part of the share capital of the shareholders, which cannot be distributed other than for the purpose of liquidation.

According to the relevant laws and regulations of the PRC, distributable profit of the Company was determined at the lower of such amount calculated based on the accounting principles and regulations of the PRC or the generally accepted accounting principles of Hong Kong. As at 31st March 2005, retained earnings distributable to sharesholders was RMB79,181,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Development

For the three months ended 31st March 2005, the Group's turnover and net profit were approximately RMB113,912,000 and RMB16,562,000 respectively, representing an increase of 39.4% and 36.3% over the corresponding period in 2004 respectively.

The consolidated gross profit margin in the first quarter of 2005 was 38.2%, down by 2.5% over the corresponding period in 2004. This was mainly attributable to the Group's increased share of overseas market, which consolidated the export sales of conventional products. Export sales for the quarter increased substantially by 193.2% over the corresponding period of the previous year. Average gross margin of export products was 8.8%. At the same time, surge in crude oil price during the first quarter also resulted in the rise of chemical raw materials, which ultimately resulted in the decrease of gross profit margin. It is expected by the Group that following the adjustment in the Company's production capacity and the commencement of production for new products in the pipeline, the proportion of sales attributable to high value-added products will increase, which will in turn enhance the Group's consolidated gross profit margin.

The Group has completed integration of the management structure, injected updated modern management concept, implemented a strict key performance indication motivation system, and radically enhanced its development drive force and competitiveness. Facing with the surge in material prices and intensified market competitions, the Group proactively adjusted the product structure, carried out technological reforms, enhanced cost control, thus ensuring the results of the Company to increase steadily.

The joint venture jointly established by the Group and an independent third party for the manufacturing of drug eluting stent was operating as usual. Installation of the stent production line was also completed. Currently, production and overseas sales of the product were good. Credits were received extensively from the international markets, which further enhanced the Company's competitiveness in the high-end markets.

Weigao Jinbao, which was established with independent third party, has commenced operation. Relevant procedures were fully completed. The Company recorded encouraging results in the first quarter of 2005. Demands for the kidney dialysis equipment and consumables were strong in the domestic market. By leveraging on the sales network resources of the Group, the Company ranked top in key markets in the northeast China , setting down a foundation for similar expansion in the PRC.

Weigao Blood is mainly engaged in the research and development, production and sales of international high-end blood treatment consumables. Currently, product certification of blood drainage set, dialyser and genetic recombinant protein adsorption product are under way, and are anticipated to be completed by the third quarter of 2005. These products will bring new business opportunities for the development of the Company.

Research and development

For the three months ended 31st March 2005, four patent applications were made, and one new product registration certificate was obtained, whilst seventeen new products are still pending for registration. For the three months ended 31st March 2005, total expenditures on research and development amounted to RMB1,991,000.

Production

In February 2005, the new workshop of blood transfusion consumables commenced operation. Production area increased by 5,538 sq. m., with production capacity of high-end blood transfusion device increased by 16 million sets annually. Operation of the new workshop enhanced the production capacity of the Group in high-end products, and enhanced its industrial competitiveness.

For the three months ended 31st March 2005, output for the Group's products compared with the corresponding period of 2004 were as follows:

(1) approximately 43,220,000 sets of single-use sterile infusion (transfusion) sets, increased by 10.4%;

(2) approximately 1,657,000 sets of single-use sterile blood transfusion consumables, decreased by 34.2% (Note d);

(3) approximately 66,640,000 sets of single-use sterile syringes, increased by 16.9%;

(4) approximately 479,000 sets of single-use sterile dental devices, increased by 63%;

(5) approximately 2,161 tonnes of PVC granules, increased by 26.7%;

(6) approximately 66,000 sets of anaesthetic product series, increased by 187%;

(7) approximately 154,718,000 pieces of needle products, increased by 156% (note e);

(8) approximately 7,014,000 sets of blood sampling products, increased by 213.4%;

(9) approximately 9,122,000 sets of other products, increased by approximately 52.4%.

Note d: The fall in the output of blood transfusion consumables was mainly attributable to the production suspension due to the merging and relocation of new and existing workshops in February 2005. The Directors believed that the fall in output was temporary for the first quarter and will be recovered in the subsequent months.

Note e: Measurements of other products were different from the corresponding period in the previous year. In 2005, the other products in 2004 was further divided into anaesthetic product series, needle products, blood sampling products and other products. In addition, in 2004, needle products were measured by "kilograms" in other product series, while in 2005, it is calculated by "pieces".

Sales Network and Marketing

With successful implementation of its market development strategy and product structure adjustment strategy of the Group, the Group strengthened the development of markets. More efforts were devoted to increase the sales of non-conventional products through promotion meetings and exhibitions. Detailed assessment on the performance of sales personnel were carried out. Remarkable success was achieved in the sales of non-conventional and high value-added products.

In respect of the sales network, the Company has set up overseas trading department, seven large domestic sales regions, and implemented direct sales of goods. For the three months ended 31st March 2005, the Group established business relationship with 194 new customers, including 117 hospitals and 14 blood stations. So far, the Group's total number of customers reached 4,816, including 2,490 hospitals, 379 blood stations, 636 other medical units, and 1,311 dealers.

Comparision of the sale ratios of the various products in different places over the corresponding period in the previous year are set out as follows:

Turnover by geographical segments
As at 31 March

Region	2005		2004		Growth
	RMB'000	*%*	*RMB'000*	*%*	*%*
Northeast	24,874	21.8	20,673	25.3	20.3
Norhtern	27,015	23.7	22,735	27.8	18.8
Eastern and Central	34,022	29.9	19,101	23.4	78.1
Southwestern	5,001	4.4	3,819	4.7	31.0
Northwestern	3,905	3.4	3,770	4.6	3.6
Southern	11,921	10.5	9,163	11.2	30.1
Overseas	7,174	6.3	2,447	3.0	193.2
Total	113,912	100.0	81,708	100.0	39.4

In addition, the product mix adjustment strategy has enhanced the results in the first quarter of 2005. Under the intensifying market competitions, sales revenue of various key product achieved significant growth. Comparison of the growth in the sales of the various key products over that of the previous year are set as follows:

Turnover by category segments

As at 31st March

Product category	2005		2004		Growth
	RMB'000	*%*	*RMB'000*	*%*	*%*
Infusion set	39,629	34.9	31,960	39.0	24.0
Syringe	32,395	28.5	27,446	33.6	18.0
Blood bags	12,009	10.5	8,180	10.0	46.8
Dental device	711	0.6	531	0.7	33.9
PVC granules	10,294	9.0	7,401	9.1	39.1
Anaesthetic products	1,521	1.3	1,302	1.6	16.8
Medical instruments	7,708	6.8	—	0.0	Not applicable
Catheters	1,477	1.3	57	0.1	2,491.2
Blood sampling pipes and needles	1,193	1.0	690	0.8	72.9
Others	6,975	6.1	4,141	5.1	68.4
Total	113,912	100.0	81,708	100.0	39.4

HUMAN RESOURCES

As at 31st March 2005, the Group employed a total of 4,998 employees. Breakdown by departments is as follows:

Departments	Number of employees
Research and development	91
Sales and marketing	445
Production	4,163
Purchasing	18
Quality control	50
Management	50
Finance and administration	181
Total	4,998

Save as the company secretary, who resides in Hong Kong, all employees of the Group were resided in the PRC. For the three months ended 31st March 2005, total amount of staff salaries, welfare, and various funds amounted to RMB13,686,000.

FINANCIAL REVIEW

Liquidity and financial resources

The Group maintained sound financial position for the three months ended 31st March 2005. As at 31st March 2005, the Group had total cash of RMB83,151,000.

During the period, the Group adjusted its borrowing portfolio, so as to satisfy the capital requirements for the expansion of operations, equipment investments and technological innovations. During the first quarter of 2005, bank loans of RMB59,750,000 were obtained, bank loans of RMB44,750,000 were repaid and the net loans were increased by RMB15,000,000. As at 31st March 2005, the Group's short-term bank loans amounted to RMB145,500,000 and long-term bank loans was RMB122,800,000.

Interests paid by the Group as a whole for the three months ended 31st March was RMB5,011,000.

Gearing ratio

The Group's gearing ratio, being the ratio of total borrowings to total equity was 0.72 (the corresponding period in 2004: 0.66). Increase in gearing ratio was mainly due to the increase of loans for the Group's production expansions in the first quarter of 2005.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31st March 2005.

Capital commitments

As at 31st March 2005, the Group has commitments for the acquisition of assets which were contracted but not provided in the financial statements amounting to RMB29,391,000 in total. The above amounts will be paid by the Group out of the proceeds from the Listing and internal resources.

OUTLOOK

The Group recorded satisfactory performance for the three months ended 31st March 2005. Management measures have been duly implemented, turnover and net profit increased steadily. Facing with the ever changing external environment, the Group overcame various unfavorable factors by proactively adopting various strategies. Looking forward, the Company is fully confident that it will realise the target as expected with its best efforts.

1. Accelerate speed and increase efforts in the development management of new products, speed up progress of product applications to shorten the period to obtain certifications and promote product renewals.

2. By capitalising timely on the impact of the fluctuations in oil prices to raw material supplies, and making adjustments to the inventory in accordance with the market changes, the Company will reduce purchase costs and storage costs. Product mix will be adjusted proactively, and the proportion of high value-added products will be enhanced.

3. Speed of technological innovation and integration of production will be accelerated. Cost management will be strengthened, thereby overcoming the impact from the cost increase.

4. Additional efforts will be devoted to develop new customers and potentials in existing customers, strengthen marketing, expand sales team, establish a strong sales network, so as to promote the growth in the Company's sales results.

DIRECTORS' INTERESTS AND LONG POSITIONS IN SHARES

As at 31st March 2005, the interests of each director and his associates in the shares, underlying shares and debentures of the Company or any of its associated corporations which are required to be entered in the register pursuant to section 352 of the Securities and Futures Ordinance ("SFO"); or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(1) Long positions in domestic shares of RMB0.10 per share:

Name of Directors	Capacity	Number of domestic shares	Approximate percentage of the Company's issued share capital
Mr. Zhang Hua Wei	Beneficial owner	10,800,000	1.25%
Mr. Miao Yan Guo	Beneficial owner	7,800,000	0.90%
Mr. Wang Yi	Beneficial owner	7,800,000	0.90%
Mr. Wang Zhi Fan	Beneficial owner	2,700,000	0.31%
Mr. Wu Chuan Ming	Beneficial owner	2,400,000	0.28%
Mrs. Zhou Shu Hua	Beneficial owner	5,100,000	0.59%

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

Name of Directors	Capacity	Amount of registered capital	Approximate percentage of the registered capital of Weigao Holding
Mr. Chen Xue Li	Beneficial owner	36,600,000	30.00%
Mr. Zhang Hua Wei	Beneficial owner	30,500,000	25.00%
Mr. Miao Yan Guo	Beneficial owner	7,320,000	6.00%
Mr. Wang Yi	Beneficial owner	7,320,000	6.00%
Mr. Wang Zhi Fan	Beneficial owner	2,610,800	2.14%
Mr. Wu Chuan Ming	Beneficial owner	2,257,000	1.85%
Mrs. Zhou Shu Hua	Beneficial owner	14,579,000	11.95%

Save as disclosed above, as at the date hereof, none of the Directors and their associates had registered an interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDER

As at 31st March 2005, the following shareholders had notified the Company that other than the interests of certain Directors as disclosed above, their interests in the issued share capital of the domestic shares of the Company, and were recorded in the register of interests of the substantial shareholder required to be kept by the Company pursuant to Section 336 of the SFO.

	Capacity	Number of domestic shares	Approximate percentage of the Company's issued share capital
Weigao Holding	Beneficial owner	540,000,000	62.46%

SPONSORS' INTERESTS

Pursuant to the agreement entered into between the Company and Goldbond Capital (Asia) Limited ("Goldbond") on 24th July 2004, Goldbond has been appointed to act as the Company's sponsor and would be responsible for providing sponsor services to the Company for the financial period until 31st December 2006.

Neither Goldbond nor its directors or employees or associates (as referred to in the rule 6.35 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules")) had any interest in the share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Since the commencement of dealings in the H Shares of the Company on GEM on 27th February 2004, the Company did not purchase, sell or redeem any listed shares of the Company.

CORPORATE GOVERNANCE

The board of directors of the Company considers that the Company has complied with the board practices and procedures as set out in rule 5.34 of the GEM Listing Rules during the period.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 1st September 2002 with written terms of reference in compliance with rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Group. The Committee comprised Messrs. Luan Jian Ping, Shi Huan, Lau Wai Kit, being independent non-executive directors and Mrs. Zhou Shu Hua, a non-executive director. Mr. Lau Wai Kit has been appointed as a member of the Committee with effect from 17th November 2004.

The Company's financial statements for the three months ended 31st March 2005 have been reviewed by the Committee. The Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and other laws, and disclosures have been fully made.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive right under the Articles of Association and the laws of the PRC, the place of jurisdiction where the Company was established, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPETING INTERESTS

None of the Directors, the substantial shareholders or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates has an interest in a business which competes or may compete with the business of the Group, or has any other conflicts of interest with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31st March 2005, the Company had adopted a code of conduct regarding securities transaction by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

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

Weihai, Shandong, the PRC
12th May 2005

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