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)

Interim Report 2012

* For identification purposes only

WEGO威高

SUMMARY

For the six months ended 30 June 2012 (the "Period"), the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB1,879,063,000, representing an increase of approximately 24.8% over approximately RMB1,505,785,000 for the same period last year.

The unaudited net profit attributable to the shareholders for the six months ended 30 June 2012 was approximately RMB495,116,000, representing an increase of approximately 18.6% over approximately RMB417,481,000 for the same period last year. Excluding extraordinary items, net profit attributable to the equity holders of the Company was approximately RMB526,223,000 (2011: approximately RMB417,481,000), representing an increase of approximately 26.0% when compared with the same period last year.

During the Period, (1) growth momentum continued and turnover of single-use consumables reached approximately RMB1,553,306,000, representing an increase of 22.9% when compared with the same period last year; (2) turnover of orthopaedic manufacturing was approximately RMB146,376,000, representing an increase of 31.5% when compared with the same period last year. Net profit attributable to the Group from the Distribution Joint Venture with Medtronic in orthopaedic products was approximately RMB29,219,000 for the six months ended 30 June 2012, representing an increase of 15.8% when compared with the same period last year; (3) turnover of blood purification business was approximately RMB179,381,000, representing an increase of 36.9% over the same period last year; and (4) profit attributable to Biosensors International Group Limited ("Biosensors"), which is 21.5% held by the Group, was approximately RMB57,073,000. Excluding extraordinary items, Biosensors contributed approximately RMB88,180,000 to the profit of the Group.

The Board of Directors (the "Board") recommends the distribution of an interim dividend of RMB0.033 per share (same period in 2011: RMB0.029 per share) for the six months ended 30 June 2012. The interim dividend proposal is subject to the approval by the shareholders of the Company (the "Shareholders") at the forthcoming general meeting.

UNAUDITED CONSOLIDATED INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the three months and six months ended 30 June 2012, together with the unaudited comparative figures for the same period in 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
	Notes	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Revenue	*3*	**1,879,063**	1,505,785	**1,017,104**	812,761
Cost of sales		**(829,665)**	(697,856)	**(445,100)**	(379,317)
Gross profit		**1,049,398**	807,929	**572,004**	433,444
Other income		**39,851**	32,523	**23,661**	20,493
Distribution costs		**(421,616)**	(315,799)	**(224,598)**	(163,283)
Administration expenses		**(189,439)**	(141,577)	**(99,108)**	(69,942)
Finance costs	*5*	**(1,380)**	(1,820)	**–**	(1,206)
Share of profit of two jointly controlled entities		**(2,081)**	64,194	**(1,157)**	31,310
Share of profit of two associates		**86,292**	25,233	**47,586**	14,293
Profit before taxation	*6*	**561,025**	470,683	**318,388**	265,109
Taxation	*7*	**(64,599)**	(51,127)	**(36,256)**	(29,446)
Profit for the year		**496,426**	419,556	**282,132**	235,663

	Notes	Unaudited For the six months ended 30 June 2012 RMB'000	2011 RMB'000	Unaudited For the three months ended 30 June 2012 RMB'000	2011 RMB'000
Other comprehensive income					
Exchange difference on translation of foreign operations		**15,188**	(572)	**908**	(121)
Total comprehensive income for the period		**511,614**	418,984	**283,040**	235,542
Profit for the period attributable to:					
Equity holders of the Company	*8*	**495,116**	417,481	**281,394**	233,926
Minority interests		**1,310**	2,075	**738**	1,737
		496,426	419,556	**282,132**	235,663
Total comprehensive income attributable to:					
Equity holders of the Company		**510,304**	416,909	**282,302**	233,805
Minority interests		**1,310**	2,075	**738**	1,737
		511,614	418,984	**283,040**	235,542
Earnings per share (Basic)	*10*	**RMB0.111**	RMB0.096	**RMB0.063**	RMB0.053

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	*11*	**2,718,389**	2,470,492
Investment properties		**10,827**	3,460
Prepaid lease payments	*12*	**434,353**	378,499
Intangible assets		**16,176**	17,735
Interest in jointly controlled entities	*13*	**26,777**	28,858
Interest in associates	*14*	**2,467,507**	2,374,267
Goodwill		**202,900**	202,900
Deferred income tax assets		**16,485**	15,757
Other receivables			
– receivable after one year		**5,169**	9,046
		5,898,583	5,501,014
Current assets			
Inventories	*15*	**565,782**	463,001
Trade and other receivables	*16*	**1,587,690**	1,449,242
Pledged bank deposits	*17*	**122,535**	107,472
Bank balances and cash	*18*	**1,671,079**	1,851,238
		3,947,086	3,870,953
Current liabilities			
Trade and other payables	*19*	**1,202,266**	1,025,415
Bank and other borrowings			
– repayable within one year		**–**	21,003
Taxation		**43,028**	35,504
		1,245,294	1,081,922
Net current assets		**2,701,792**	2,789,031
		8,600,375	8,290,045

	Notes	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Capital and reserves			
Capital	*20*	**447,637**	447,637
Reserves	*21*	**8,130,367**	7,754,354
Equity attributable to equity holders of the Company		**8,578,004**	8,201,991
Minority interests		**10,848**	9,538
Total equity		**8,588,852**	8,211,529
Non-current liabilities			
Bank and other borrowings – repayable after one year		**–**	63,009
Other long-term payables		**10,723**	10,445
Deferred income		**800**	5,062
		11,523	78,516
		8,600,375	8,290,045

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash inflow generated from operating activities	**399,141**	228,051
Net cash outflow used in investing activities	**(361,005)**	(274,742)
Net cash outflow before financing activities	**38,136**	(46,691)
Net cash (outflow)/inflow from financing activities	**(219,683)**	1,242,586
Net (decrease)/increase in cash and cash equivalents	**(181,547)**	1,195,895
Bank balances and cash as at beginning of period	**1,851,238**	628,223
Effect of foreign exchange rate changes, net	**1,388**	(572)
Bank balances and cash as at end of period	**1,671,079**	1,823,546

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Balance as at 1 January	**8,201,991**	3,626,410
Issue of shares	**–**	1,429,917
Net profit for the period	**495,116**	417,481
Dividend paid	**(134,291)**	(167,864)
Exchange gains and losses arising from foreign currency transactions	**15,188**	(572)
Balance as at 30 June	**8,578,004**	5,305,372

Notes:

1. General

The Company was incorporated as a joint stock company with limited liability in Shandong Province, the People's Republic of China (the "PRC") under the Company Law of the PRC on 28 December 2000. Its ultimate holding company is Weigao Holding Company Limited ("Weigao Holding"), a company registered in the PRC with limited liability.

The shares of the Company was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 27 February 2004 and the listing status was withdrawn on the GEM and transferred to the Main Board of the Stock Exchange since 29 July 2010.

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

The unaudited consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its subsidiaries.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the accounting principles generally accepted in Hong Kong, Hong Kong Financial Reporting Standards (the "HKFRS") and the relevant applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The accounts are prepared under the historical cost convention.

The accounting policies adopted and methods of computation used in the preparation of these consolidated financial information are consistent with those used in the preparation of the financial statements for the year ended 31 December 2011.

The Group has applied various new and amended Hong Kong Financial Reporting Standards and HKAS (collectively referred to as the "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning after 1 January 2008. The adoption of the "new HKFRSs" had no material effect on the presentation of the results for the current accounting period and/or previous accounting years. Therefore, no adjustment has been made for the previous periods.

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

The consolidated results for the six months ended 30 June 2012 have not been audited by the Company's auditor but have been reviewed by Audit Committee of the Company.

These financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2011.

3. Revenue

Revenue represents the fair value of the consideration received and receivable for goods sold by the Group to external customers after deducting sales tax and sales returns during the Period.

4. Segment information

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

For management purposes, the Group is currently organised into three operating divisions – single-use medical products, orthopaedic products and blood purification products. These divisions are segmented on the basis of internal reporting of the Group that are regularly reviewed by the chief operating decision maker for allocating resources to the segments and assess their performance.

The principal activities of the Group's operating segments are as follows:

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

Segment revenues and results

The segment information and results of those businesses are as follows:

For the six months ended 30 June 2012

	Single-use medical products RMB'000	Orthopaedic products RMB'000	Blood products RMB'000	Eliminations RMB'000	Total RMB'000
Revenue					
External sales	**1,553,306**	**146,376**	**179,381**	**–**	**1,879,063**
Inter-segment sales	**4,921**	**–**	**187**	**(5,108)**	**–**
Total	**1,558,227**	**146,376**	**179,568**	**(5,108)**	**1,879,063**
Segment profit (loss)	**373,714**	**60,606**	**17,125**	**–**	**451,445**
Unallocated expenses					**(229)**
Unallocated other income, gain and losses					**25,598**
Share of profit of jointly controlled entities					**(2,081)**
Share of profit of associates					**86,292**
Profit before taxation					**561,025**

For the six months ended 30 June 2011

	Single-use medical products RMB'000	Orthopaedic products RMB'000	Blood products RMB'000	Eliminations RMB'000	Total RMB'000
Revenue					
External sales	1,263,417	111,292	131,076	–	1,505,785
Inter-segment sales	710	–	3,164	(3,874)	–
Total	1,264,127	111,292	134,240	(3,874)	1,505,785
Segment profit (loss)	302,028	34,786	11,181	–	347,995
Unallocated expenses					(435)
Unallocated other income, gain and losses					33,696
Share of profit of jointly controlled entities					64,194
Share of profit of associates					25,233
Profit before taxation					470,683

5. Finance costs

Finance costs for the three months and six months ended 30 June 2012 were RMB nil and RMB1,380,000 respectively (same periods in 2011: RMB1,206,000 and RMB1,820,000 respectively), which mainly included interest expenses on bank and other borrowings.

6. Profit before taxation

Operating profit has been arrived at after charging (crediting) the followings:

	Unaudited For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Operating profit has been arrived at after charging (crediting) the followings		
Provision for bad debts	**9,959**	7,227
Amortization of intangible assets (included in administration expenses)	**1,557**	1,557
Depreciation	**58,729**	46,495
Depreciation of investment properties	**229**	296
Prepaid lease payments charged to income statement	**4,849**	2,621
Rental payments in respect of premises under operating leases	**5,096**	3,858
Research and development expenditure	**77,329**	56,003
Cost of inventory recognized as expenses	**614,424**	554,654
Staff costs, including directors' remuneration		
Retirement benefits scheme contribution	**58,291**	42,282
Wages and salaries	**220,482**	151,919
Total staff costs	**278,773**	194,201
Losses/(gains) from foreign exchange, net	**(1,378)**	5,926
Losses on disposal of property, plant and equipment	**240**	150
Interest income	**(14,620)**	(2,428)
Rental income from investment properties	**(891)**	(1,128)
Rebate of value-added tax	**(21,440)**	(18,941)

Note: Weihai Jierui Medical Products Company Limited（威海潔瑞醫用製品有限公司）("Jierui Subsidiary") was recognized as a "Social Welfare Entity", and under the "payment then refund" principle, Weihai Municipal Government had granted Jeirui Subsidiary the exemption of paying value-added tax with effect from 1 May 1999. Pursuant to Cai Shui Guo Fa 2007 No. 92 issued by State Council, with effect from 1 July 2007, the amount of exempted value-added tax granted to Jierui Subsidiary is determined by taking into account the number of employees with disabilities. The refund limit for every employee with disability was based on six times of the local minimum wages approved by Weihai Municipal Government, and the annual cap refund of each employee with disability is RMB35,000.

7. Taxation

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulations of EIT Law, the tax rate of certain PRC subsidiaries is 25% from 1 January 2008 onwards.

In accordance with the "Notice of the State Taxation Bureau of Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", new and high technology enterprises are subject to income tax at a tax rate of 15%.

The Company, Weihai Jierui Medical Products Company Limited ("Jierui Subsidiary"), Shandong Weigao Orthopaedic Device Company Limited ("Weigao Orthopaedic") and Weihai Weigao Blood Purification Product Company Limited ("Weigao Blood") were recognized as Shandong Province New and High Technology Enterprises（山東省高新技術企業）. Therefore, they are subject to income tax at a rate of 15%.

Jierui Subsidiary was recognised as a "Social Welfare Entity". Pursuant to Cai Shui 2007 No. 92 document issued by State Council, with effect from 1 July 2007, Jierui Subsidiary is also subject to a statutory tax rate but an amount equivalent to the total salaries paid to staff with physical disability is further deducted from the assessable profit of Jierui Subsidiary and the rebate of value added tax is deducted from the PRC income tax. Jierui Subsidiary is subject to income tax at a tax rate of 15%. The tax charge provided for the period ended 30 June 2012 was made after taking these tax incentives into account.

Weigao Orthopaedic is a sino-foreign joint venture operating in the PRC and is entitled to an exemption from PRC income tax for the two years commencing from its first profit-making year, followed by a 50% tax relief for the next three years. Weigao Orthopaedic commenced its first profit-making year in 2006. Taxation for the period ended 30 June 2012 is computed at a tax rate of 15%.

Taxation for other PRC subsidiaries is computed at a tax rate of 25% (2011: 25%).

No provision of Hong Kong taxation had been made for Weigao International Medical Co., Ltd., Wego Medical Holding Company Limited and Wellford Capital Limited as they did not have assessable profit in Hong Kong during the Period.

No provision of overseas taxation had been made for Weigao Medical (Europe) Co., Ltd. and Weigao Medical Germany Gmbh as they did not have assessable profit during the Period.

8. Profit attributable to owners of the Company

For the three months and six months ended 30 June 2012, net profit attributable to owners of the Group were RMB281,394,000 and RMB495,116,000 (same periods in 2011: RMB233,926,000 and RMB417,481,000) respectively.

9. Dividends

The Board recommends the distribution of an interim dividend of RMB0.033 per share for the six months ended 30 June 2012 (same period in 2011: RMB0.029 per share).

10. Earnings per share

On 27 April 2011, the Company placed 85,624,000 new H Shares at a price of HK$20.6 per H Share. On 30 June 2011, 1,296,320,000 Non-listed Shares of RMB0.1 each and 941,866,162 H Shares of RMB0.1 each were issued by way of bonus issue on the basis of one bonus Non-listed Share for every Non-listed Share and one bonus H Share of every existing H share held.

For the three months and six months ended 30 June 2012, basic earnings per share were calculated based on the profits attributable to shareholders of RMB281,394,000 and RMB495,116,000 (same periods in 2011: RMB233,926,000 and RMB417,481,000) respectively and the weighted average total number of shares of 4,476,372,324 shares and 4,476,372,324 shares (same periods in 2011: 4,365,676,000 shares and 4,425,562,000 shares) respectively.

For the three months and six months ended 30 June 2012, diluted earnings per share is not presented as there was no potential diluted ordinary shares outstanding during the periods.

11. Property, plant and equipment

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
COST							
As at 1 January 2011	526,625	516,881	582,872	37,475	11,404	83,388	1,758,645
Additions	1,083,359	1,783	35,007	10,145	–	13,312	1,143,606
Transfer	(124,243)	10,106	110,231	617	–	3,289	–
Transfer from investment properties	–	14,191	–	–	–	–	14,191
Disposals	–	–	(1,267)	(533)	–	(2,777)	(4,577)
Disposal of a subsidiary	–	–	–	(912)	–	(405)	(1,317)
As at 31 December 2011	1,485,741	542,961	726,843	46,792	11,404	96,807	2,910,548
Additions	240,314	443	38,936	3,639	–	31,460	314,792
Transfer	(30,084)	–	27,273	–	–	2,811	–
Disposals	–	–	(2,041)	(2,046)	–	(159)	(4,246)
Transfer to investment properties	–	(9,934)	–	–	–	–	(9,934)
As at 30 June 2012	1,695,971	533,470	791,011	48,385	11,404	130,919	3,211,160
Depreciation							
As at 1 January 2011	2,314	80,268	179,981	18,852	11,170	54,676	347,261
Provided for the year	–	16,316	57,064	6,909	234	13,777	94,300
Eliminated on disposals	–	–	(815)	(428)	–	(2,577)	(3,820)
Disposal of a subsidiary	–	–	–	(425)	–	(306)	(731)
Transfer from investment properties	–	3,046	–	–	–	–	3,046
As at 31 December 2011	2,314	99,630	236,230	24,908	11,404	65,570	440,056
Provided for the year	–	8,682	35,066	3,409	–	11,868	59,025
Eliminated on disposals	–	–	(1,790)	(1,804)	–	(150)	(3,744)
Transfer to investment properties	–	(2,566)	–	–	–	–	(2,566)
As at 30 June 2012	2,314	105,746	269,506	26,513	11,404	77,288	492,771
Carrying values							
As at 30 June 2012	1,693,657	427,724	521,505	21,872	–	53,631	2,718,389
As at 31 December 2011	1,483,427	443,331	490,613	21,884	–	31,237	2,470,492

12. Prepaid lease payments

	30 June 2012 RMB'000	31 December 2011 RMB'000
The Group's prepaid lease payments comprise:		
Leasehold land in PRC		
Medium-term lease	**444,051**	386,923
Analysed for reporting purposes as:		
Current portion (include trade and other receivables)	**9,698**	8,424
Non-current portion	**434,353**	378,499
	444,051	386,923

13. Interests in jointly controlled entities

Name	Form of business structure	Place of incorporation or registration/ operation	Attributable proportion of nominal value of registered capital held by the Group		Principal activities
			30 June 2012	30 June 2011	
Weigao Nikkiso Dialysis Equipment Company Limited	Incorporated	PRC	**51%**	51%	Manufacturing, sale and after sale service of Nikkiso technology based medical products

	30 June 2012 RMB'000	31 December 2011 RMB'000
Cost of unlisted investment, at cost	**37,990**	37,990
Share of post-acquisition profit and other comprehensive income	**(11,213)**	(9,132)
	26,777	28,858

14. Interest in associates

Name	Form of business structure	Place of incorporation or registration/ operation	Attributable proportion of nominal value of registered capital held by the Group		Principal activities
			30 June 2012	30 June 2011	
Medtronic Weigao Orthopaedic Device Company Limited	Incorporated	PRC	**49.0%**	49.0%	Sale and distribution of orthopaedic medical device products
Biosensors International Group Ltd.	Incorporated	Bermuda (Listed on Singapore Exchange Ltd.)	**21.5%**	–	Manufacturing and sale of heart medical products
Weigao Terumo (Weihai) Medical Products Company Limited	To incorporate	To incorporate	**50.0%**	–	Production of dialysate solution

	30 June 2012 RMB'000	31 December 2011 RMB'000
Cost of unlisted investment in an associate, at cost	**2,276,200**	2,276,200
Gain arising from the increase in share of net assets of an associate	**15,222**	–
Realised gain arising from the establishment of an associate	**72,314**	72,314
Share of post-acquisition profit and other comprehensive income, net of dividends received	**135,746**	49,454
Unrealised profit on the sale to an associate	**(31,975)**	(23,701)
	2,467,507	2,374,267

15. Inventories

	30 June 2012 RMB'000	31 December 2011 RMB'000
Cost		
Raw materials	**247,964**	238,833
Finished goods	**317,818**	224,168
	565,782	463,001

16. Trade and other receivables

	The Group	
	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
0 to 90 days	**863,886**	723,551
91 to 180 days	**263,693**	241,085
181 to 365 days	**137,012**	126,159
Over 365 days	**35,192**	34,313
Trade receivables	**1,299,783**	1,125,108
Bills receivables	**176,454**	176,671
Other receivables	**44,758**	40,995
Deposits and prepayments	**66,695**	106,468
	1,587,690	1,449,242

17. Pledged bank deposits

The amounts represented deposits pledged to banks to secure banking facilities granted to the Group. The amounts had been pledged to secure against the short-term bank loans and banking facilities and are therefore classified as current assets. The deposits carry interest rates ranged from 0.44% to 3.3% (2011: 0.4% to 3.3%) per annum.

18. Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with maturity of three months or less. The maximum fixed interest rate for those deposits was ranged from 0 to 3.5% (2011: 0.40% to 1.49%) per annum. The fair values of bank deposits as at 30 June 2012 approximated to their corresponding carrying amounts.

19. Trade and other payables

	The Group	
	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
0 to 90 days	**353,975**	361,690
91 to 180 days	**29,324**	30,465
181 to 365 days	**8,246**	8,764
Over 365 days	**7,535**	7,016
Trade payables	**399,080**	407,935
Bills payables	**401,471**	348,070
Consideration payable for the acquisition of additional interest in a subsidiary	**11,000**	11,000
Other and expenses payables	**390,715**	258,410
	1,202,266	1,025,415

20. Share capital

	Nominal value of Share RMB	Number of non-listed Shares	Number of H Shares	Total number of Shares	Market Value RMB'000
As at 1 January 2011	0.1	1,296,320,000	856,242,162	2,152,562,162	215,256
Issue of H Shares	0.1	–	85,624,000	85,624,000	8,562
Bonus issue of shares	0.1	1,296,320,000	941,866,162	2,238,186,162	223,819
As at 31 December 2011	0.1	2,592,640,000	1,883,732,324	4,476,372,324	447,637
As at 30 June 2012	0.1	2,592,640,000	1,883,732,324	4,476,372,324	447,637

21. Movements in reserves

The Group	Share capital RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 *(Note b)*	Translation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
As at 1 January 2011	215,256	1,285,542	163,873	28	–	1,961,711	3,626,410	7,463	3,633,873
Profit for the year	–	–	–	–	–	3,462,172	3,462,172	5,862	3,468,034
Exchange differences arising on translation of foreign operations	–	–	–	(573)	–	–	(573)	–	(573)
Share of exchange differences arising on translation of an associate	–	–	–	(16,383)	–	–	(16,383)	–	(16,383)
Share of other comprehensive income of associates	–	–	–	–	2,661	–	2,661	–	2,661
Total comprehensive income for the year	–	–	–	(16,956)	2,661	3,462,172	3,447,877	5,862	3,453,739
Issue of shares	8,562	1,416,821	–	–	–	–	1,425,383	–	1,425,383
Transfer to statutory reserve	–	–	77,089	–	–	(77,089)	–	–	–
Dividends paid	–	–	–	–	–	(297,679)	(297,679)	–	(297,679)
Bonus issue of shares	223,819	(223,819)	–	–	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	(3,787)	(3,787)
At 31 December 2011	447,637	2,478,544	240,962	(16,928)	2,661	5,049,115	8,201,991	9,538	8,211,529
Profit for the year and total revenue recognized	–	–	–	15,188	–	495,116	510,304	1,310	511,614
Dividends paid	–	–	–	–	–	(134,291)	(134,291)	–	(134,291)
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–
As at 30 June 2012	447,637	2,478,544	240,962	(1,740)	2,661	5,409,940	8,578,004	10,848	8,588,852

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 in the PRC ("PRC GAAP").

(b) Statutory surplus reserve

The Articles of Association of the companies under the Group (other than Weigao International) requires that 10% of the profit after taxation for each year should be transferred to the statutory surplus reserve in accordance with the PRC GAAP, until it has reached 50% of the registered capital. Pursuant to the Articles of Association of the companies under the Group, under normal circumstances, statutory surplus reserves can only be used to make up for losses, convert into share capital by way of capitalization, and for the expansion of the Company's production and operation scope. In the event of converting the statutory surplus reserve into share capital by way of capitalization, it should not result that the balance of such reserves will be less than 25% of the registered capital.

(c) Statutory public welfare fund

According to the Company Law of PRC and the amended Articles of Association of the Company, from 1 January 2006 onwards, the companies under the Group ceased to transfer funds from statutory public welfare fund. The statutory public welfare fund as at 31 December 2005 was part of the share capital of the shareholders, which cannot be distributed other than for the purpose of liquidation. Pursuant to the board resolution of the Company, in accordance with the Company Law of the PRC, the Company transferred an amount of RMB17,147,000 from the statutory public welfare fund to the statutory surplus reserve fund on 1 January 2006.

According to the laws and regulations of the PRC, the distributable profit of the Company was determined at the lower of such amount computed based on the accounting principles and regulations of the PRC or the generally accepted accounting principles in Hong Kong. As at 30 June 2012, the retained earnings available for distribution to shareholders was approximately RMB1,794,108,000.

International collaboration

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

During the Period, the Distribution Joint Venture with Medtronic for the six months ended 30 June 2012 contributed approximately RMB29,219,000 to the net profit of the Group, representing an increase of 15.8% when compared with the same period last year.

During the Period, Weigao Nikkiso（威高日機裝）, a joint venture company with Nikkiso Co., Ltd., was undergoing trial production and was in the process of applying for product registration certificate for its dialysis machine. It is expected to commence commercial production in the fourth quarter of 2012. The joint venture company produces haemodialysis machines and provides after-sales services in China. Weigao Blood will distribute haemodialysis machines in China produced by the joint venture company. The collaboration leverages the complementary strengths of the two partners and it will further strengthen the Group's competitive position in the blood purification segment. It also lays a solid foundation for the business expansion of the Group in the blood purification market in China. Loss from Weigao Nikkiso attributable to the Group for the six months ended 30 June 2012 amounted to approximately RMB2,081,000.

During the Period, the Group established a strategic alliance with Terumo and Terumo China in peritoneal dialysis. Both parties jointly invested RMB480,000,000 to establish a joint venture company to engage in the production and sales of dialysate and other peritoneal dialysis related devices in the PRC. Weigao Blood, a subsidiary of the Company, holds 50% equity interests of the joint venture company. Up to the date of this report, the joint venture company was at its preparatory stage.

Optimization adjustments to product mix

During the Period, the Group continued the strategy of optimizing the product mix, focusing on the business development of blood purification products and increased the marketing and sales efforts on high value-added products such as intravenous catheters, non PVC infusion sets, specialized infusion set with dosage control device, achieving a continuous growth in turnover.

Due to effective adjustments in product mix, the Group absorbed the impact of the significant increase in labour costs during the Period, and further increased the gross profit margin to 55.8% from 53.7% in the previous year. During the Period, the percentage of turnover from high value-added products (products with gross profit margins of over 60%) of the Group to the total turnover was 45.5% (same period last year: 44.9%). The performance of the Group in four business segments was as follows:

1. Consumables: Remarkable results were achieved following the product mix adjustment on the principal products. During the Period, the Group recorded a turnover of approximately RMB1,553,306,000, representing an increase of 22.9% over the same period last year. The Group recorded a continued growth in needle products, with turnover of approximately RMB335,846,000, representing an increase of 24.7% when compared with the same period last year. The Directors believe that needle products will become an important area for the on-going development of the Company.

   The Group's market development of specialized infusion set with dosage control device and infusion sets made of proprietary non PVC based material has also maintained the growth momentum during the Period. It drove the turnover of infusion sets of the Group to RMB565,669,000, representing an increase of 26.4% over the same period last year.

During the Period, the glass tube production line for pre-filled syringes was operating smoothly. The Company has established a leading position in domestic market share in pre-filled syringes. The turnover of pre-filled syringes for the Period amounted to approximately RMB89,388,000, representing an increase of 23.2% over the same period last year.

2. The blood purification business of Weigao Blood, a subsidiary of the Company, had achieved rapid growth during the Period and recorded a turnover of approximately RMB179,381,000, representing an increase of approximately 36.9% when compared with the same period last year. Haemodialysis consumable products recorded a turnover of approximately RMB124,223,000, representing an increase of approximately 51.5% when compared with the same period last year. The Group invested approximately RMB100 million to purchase the second polymer membrane dialysis device production line to expand the production capacity to meet market demand, and as at the date of this report, the installation and trial run was completed and commercial production has began during the Period. The Directors expect that the blood purification business will become an important future direction and segment for the development of the Group. As at the date of this report, Weigao Blood has established two haemodialysis centres offering dialysis services. There is also one other haemodialysis centre at its preparatory stage.

3. During the Period, turnover of orthopaedic business was approximately RMB146,376,000, representing a growth of 31.5% when compared with the same period last year.

4. The entire 50% equity interests in JW Medical held by the Company was disposed to Biosensors in the year 2011. As a result, JW Medical didn't contribute any profit to the Group during the Period, whilst JW Medical contributed approximately RMB67,193,000 to profit of the Group for the same period last year.

During the Period, profit attributable to Biosensors which is 21.5% held by the Group, amounted to approximately RMB57,073,000. Excluding extraordinary items, Biosensors contributed approximately RMB88,180,000 to the profit of the Group.

RESEARCH AND DEVELOPMENT

For the six months ended 30 June 2012, the Group obtained 20 new patents and 38 new patents are under application. Product registration certificates for 26 new products were obtained. The research and development for 42 products were completed for which application for product registration certificates are underway.

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

As at 30 June 2012, the Group had over 230 product registration certificates and over 170 patents, of which 20 were patents on invention.

In view of the need for the strategic adjustments to product mix, the Group continued to invest 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 consolidate its leading position in research and development capability in China. For the six months ended 30 June 2012, total research and development expenses amounted to approximately RMB77,329,000 (2011: RMB56,003,000), representing 4.1% (2011: 3.7%) of the turnover of the Group.

PRODUCTION

For the period ended 30 June 2012, the production volume of the Group's products as compared with the same period last year is as follows:

		For the six months ended 30 June		
Product Type	**Measurement unit**	**2012**	2011	**Increase/ (Decrease) over corresponding period %**
Syringes	1,000 pieces	**498,819**	429,284	16.2%
Infusion (transfusion) sets	1,000 pieces	**241,508**	192,996	25.1%
Blood sampling products	1,000 pieces	**96,240**	79,781	20.6%
Pre-filled syringes	1,000 pieces	**32,119**	27,408	17.2%
Intravenous catheters	1,000 pieces	**27,915**	22,517	24.0%
Blood bags	1,000 sets	**13,458**	11,846	13.6%
PVC granules	Tons	**7,300**	6,865	6.3%
Orthopaedic products	1,000 sets	**2,169**	1,312	65.3%
Haemodialysis consumables	1,000 sets	**942**	727	29.6%
Others	1,000 sets	**163,062**	126,437	29.0%

During the Period, the Group continued to implement strategy on product mix adjustment by increasing the proportion of high value-added products while decreasing the production of low value-added products with low rate of returns. This enhanced the contribution rate for each type of products and raised the overall profitability of the Company.

Sales and Marketing

The Group persisted to implement the strategy in integrating its sales channels. It focused on product mix adjustment and improved the efficiency of credit resources extended on account receivables.

During the Period, the Group strengthened its sales management system, increase effort in the development of direct sales customers, integrated customer resources and phased out low profitability customers. For the six months ended 30 June 2012, the Group newly added 11 hospitals and 10 distributors while other medical institutes decreased by 28. As at the date of this report, the Group has a customer base of 5,062 (including 2,962 hospitals, 414 blood stations, 594 other medical units and 1,092 distributors).

Sales comparison by geographical regions for the Period compared with the same period last year are set out as follows:

TURNOVER BY GEOGRAPHICAL SEGMENTS

Region	**2012**		2011		Growth
	RMB'000	**%**	RMB'000	%	%
Eastern and Central	**756,929**	**40.3**	589,080	39.1	28.5
Northern	**427,659**	**22.8**	362,695	24.1	17.9
Northeast	**219,496**	**11.7**	184,479	12.3	19.0
Southern	**171,771**	**9.1**	137,856	9.2	24.6
Southwest	**152,730**	**8.1**	123,364	8.2	23.8
Northwest	**54,938**	**2.9**	42,295	2.8	29.9
Overseas	**95,540**	**5.1**	66,016	4.3	44.7
Total	**1,879,063**	**100.0**	1,505,785	100.0	24.8

The integration of sales channels has strengthened the Group's market penetration in and influence over direct sales to high-end customers. It enhanced sales contribution significantly. Average sales per customer was increased by approximately 24.2% over the same period last year. Continued driving higher product penetration to high-end customers is an important way to generate revenue growth.

Adjustment in product mix was another important factor in enhancing the results for the Period. During the Period, the Group focused on sales and marketing of high value-added products such as needle products and high valued added infusion sets. It has increased the proportion of sales generated from high value-added products. Sales revenue comparison of principal products with that of the same period last year is set as follows:

	For the six months ended 30 June			For the three months ended 30 June		
Product category	**2012 RMB'000**	2011 RMB'000	**Increase/ (Decrease) over corresponding period %**	**2012 RMB'000**	2011 RMB'000	**Increase/ (Decrease) over corresponding period %**
Single-use consumables						
Infusion sets	**565,669**	447,652	26.4%	**304,793**	241,598	26.2%
Needles	**335,846**	269,400	24.7%	**176,100**	146,324	20.3%
Syringes	**257,609**	217,868	18.2%	**135,556**	111,920	21.1%
Blood bags	**98,242**	87,567	12.2%	**52,240**	45,897	13.8%
Pre-filled syringes	**89,388**	72,577	23.2%	**51,811**	41,379	25.2%
Blood sampling products	**33,914**	27,004	25.6%	**19,057**	15,675	21.6%
PVC granules	**33,283**	34,832	(4.4%)	**18,483**	19,374	(4.6%)
Other consumables	**139,355**	106,517	30.8%	**73,885**	58,924	25.4%
Subtotal for single-use consumables	**1,553,306**	1,263,417	22.9%	**831,925**	681,091	22.1%
Orthopaedic products	**146,376**	111,292	31.5%	**79,170**	57,806	37.0%
Blood purification consumables	**124,223**	81,983	51.5%	**69,982**	40,604	72.4%
Blood purification equipments	**55,158**	49,093	12.4%	**36,027**	33,260	8.3%
Total	**1,879,063**	1,505,785	24.8%	**1,017,104**	812,761	25.1%

HUMAN RESOURCES

As at 30 June 2012, the Group employed a total of 8,596 employees. The breakdown by departments when compared with the last year is as follows:

Department	As at 30 June 2012	As at 31 December 2011
Production	**5,695**	5,541
Sales and marketing	**1,456**	1,050
Research and development	**903**	789
Finance and administration	**291**	257
Quality control	**137**	132
Management	**80**	76
Purchasing	**34**	30
Total	**8,596**	7,875

Save for the seven employees (including the company secretary) who are resided in Hong Kong and Europe, all the employees of the Group are resided in China. During the Period, total cost of salaries, welfare and social benefits of the Group amounted to approximately RMB278,773,000 (2011: RMB194,201,000).

Remuneration System

The Group's remuneration policy has been determined based on its performance, changes in the local consumption level and competition in human resources market. The remuneration policy so determined has become the basis of determining the salary levels 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 out by the Company. Remuneration of Directors is determined by the Remuneration Committee with reference to the operating results of the Company, individual performance of the Director and market competition. The proposed remuneration of Directors is subject to the approval of shareholders at the annual general meeting.

FINANCIAL REVIEW

For the six months ended 30 June 2012, the Group recorded a turnover of RMB1,879,063,000, representing an increase of 24.8% over the same period last year, and net profit attributable to shareholders was RMB495,116,000, representing an increase of 18.6% over the same period last year.

Liquidity and Financial Resources

The Group has maintained a sound financial position. As at 30 June 2012, the Group's cash and bank balance amounted to approximately RMB1,671,079,000. For the six months ended 30 June 2012, net cash flow from operating activities of the Group amounted to approximately RMB399,141,000. The Group has maintained a sound cash flow position.

During the Period under review, the Group repaid all of the long-term borrowings of RMB84,012,000 from International Finance Corporation. As at 30 June 2012, the Group had no bank borrowings. Total interest expenses of the Group for the six months ended 30 June 2012 were approximately RMB1,380,000 (2011: RMB1,820,000).

Gearing Ratio

As at 30 June 2012, total net cash of the Group amounted to approximately RMB1,671,079,000 (2011: RMB1,726,472,000) and the cash reserve is sufficient.

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 six months ended 30 June 2012, the Group had not encountered any material difficulty due to currency fluctuation nor affected its funds for operation. For the six months ended 30 June 2012, 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 equivalent to RMB1,378,000 (2011: foreign exchange loss equivalent to RMB5,926,000) for the six months ended 30 June 2012 was recognized by the Company.

Contingent Liabilities

On 21 April 2011, the Company received a notice of arbitration issued by the Hong Kong International Arbitration Centre, which is related to the dispute in the contract with ADJECT ApS for a maximum loss up to US$49,600,000. As at the date of this report, the arbitration is still in the progress. The Directors believe that the arbitration will have no significant impact on the financial position of the Group.

The Group did not have any material contingent liabilities as at 30 June 2012.

Material Investments in Subsidiaries/Future Material Investment Plans

1. According to the municipal planning of Weihai City, the industrial zone of the Group's medical consumables production plant will be re-zoned as commercial and residential use. Hence, during the Period, the Group made an investment of approximately RMB301,125,000 on plant construction and equipment investment.

2. To expand the production capacity for pre-filled syringes, the Group started to invest in the production line for pre-filled syringes. Total investment costs will be approximately RMB60,000,000.

3. Facing the increasing pressure in staff recruitment, the Group planned to invest in automatic production lines, and increase technological modification to ease labor shortage and reduce production costs. Total investment costs will be approximately RMB100,000,000.

Save for the above material investment and investment plans, the Group had no material capital commitments or any future plans involving significant investments or capital assets acquisition as at 30 June 2012, and there was no material acquisition and disposal in any other subsidiaries and associates during the Period.

Capital Commitment

As at 30 June 2012, the capital commitment of the Group and the Company contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment amounted to approximately RMB674,685,000 (2011: RMB489,988,000).

Review and Outlook

In the first half of 2012, firstly, the Group continued to face significant increase in labour costs, resulting in continuous pressure on profitability on more conventional products. Therefore, profit growth of conventional products segment was apparent slowed down. Secondly, the growth of blood purification segment was constrained by production capacity and affected by the integration of distribution channels. The business development of trading of blood purification equipment was below expectation. Lastly, the Group increased its staff headcount in marketing and direct sales team and marketing expenses to ensure the continuous sales growth of key product segments of the Group and the market development of new products, resulting in increase distribution costs higher than revenue growth. The above factors overall has pressure on short term earnings performance of the Group. However, the Directors consider that through product mix adjustment and improving operational efficiency, the Group was able to absorb the pressure on the increase in labour costs and distribution costs. Stable workforce and consolidation of direct sales channels would also lay a solid foundation for the Group to further expand market share in the future.

Looking forward, the Company believes that increasing labour costs and distribution costs will continue. The market competition of high value-added products will intensify and will continue to affect the profitability of the Group. In view of this situation, the Group will place emphasis on the following:

1. Continue to put more efforts on research and development of new products and product sales mix adjustment and consolidate the Group's competitive position in the PRC high-end market. The Group will strengthen the medical staff training and the selection and consolidation of distributors in the middle-end market, thereby laying a solid foundation for the Group's entry into the middle-end market following production capacity expansion.

2. Capitalize on the Group's research and development strengths, continue to increase the investments in technological improvement, and increase automation with an objective of assimilating the rising labour costs and recruitment pressure in the long run. The Group will speed up the study and implementation of the long term incentive scheme for employees to share the success of the Group. The Group will continue to offer competitive salary and fringe benefits packages to retain and expand the work force.

3. Continue to focus on domestic market. Leverage on the stable development of domestic market to backup the long term process of developing and expanding overseas market. The Group is prepared that it will be a long term process to gradually expand the market share in the international market of its existing products. Fully capitalise on the customer resource strengths in the PRC high-end market, through international collaboration by ways of joint venture, co-operation, technology transfer, acquisitions and mergers, thereby introducing technologies and further expanding product categories.

4. Strengthen the strategic management, in particular with blood purification business as a foundation, strategically expanding medical service sector and new product lines to counteract the policy risk and pressure from competition.

With the launching of more upgraded products and new product series, gradual easing of production capacity constraint and the entry into the middle-end market, the management believes that the Group will continue to consolidate its leading position in the PRC market. The Group and its employees are confident to face new challenges.

INTERIM DIVIDEND

The Board of Directors (the "Board") recommended the distribution of an interim dividend of RMB0.033 (same period in 2011: RMB0.029) per share for the six months ended 30 June 2012. Such proposal is subject to the approval by the shareholders of the Company (the "Shareholders") at the forthcoming special general meeting (the "Special General Meeting").

SPECIAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 September 2012 to Friday, 12 October 2012 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the Special General Meeting, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Special 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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 10 September 2012.

In order to qualify for attending the Special General Meeting:–

Latest time to lodge in the transfer instrument accompanied by the share certificates	4:30 p.m., Monday, 10 September 2012
Closure of register of members of the Company for attendance of the Special General Meeting	Tuesday, 11 September 2012 to Friday, 12 October 2012
Latest time to lodge in the reply slip	4:30 p.m., Friday, 21 September 2012
Date of Special General Meeting	Friday, 12 October 2012

PROPOSED INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended an interim dividend of RMB0.033 per share (inclusive of tax). The total amount of interim dividends to be distributed shall be approximately RMB147,720,000, of which dividends paid to non-resident corporate shareholders will be subject to the corporate tax applicable on the PRC sourced income pursuant to the PRC Corporate Income Tax Law and the Regulations on the Implementation of the PRC Corporate Income Tax Law that became effective on 1st January, 2008 and the applicable tax rate is 10%. The listed issuer will be responsible for withholding the relevant amount of tax from the dividend payment and the dividends to be received by the non-resident corporate shareholders will be net of withholding tax. The proposal to declare and pay the interim dividend will be submitted to the forthcoming Special General Meeting to be held on Friday, 12 October 2012. Interim dividend for non-listed shares will be distributed and paid in Renminbi whereas dividend for H shares will be declared in Renminbi and paid in Hong Kong dollars.

The register of members of the Company will be closed from Thursday, 18 October 2012 to Wednesday, 24 October 2012 (both days inclusive) for the purpose of determining shareholders' entitlement to interim dividend for the six month ended 30 June 2012, during which period no transfer of shares of the Company will be registered.

In order to qualify for entitlement of interim dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share Registrar, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 17 October 2012. Dividend warrants in respect of the interim dividend of RMB0.033 per share will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Friday, 9 November 2012.

In order to qualify to entitle the interim dividend for the six months ended 30 June 2012:–

Latest time to lodge in the transfer instrument accompanied by the share certificates	4:30 p.m., Wednesday, 17 October 2012
Closure of register of members of the Company for entitlement of interim dividend for the six months ended 30 June 2012	Thursday, 18 October 2012 to Wednesday, 24 October 2012
Hong Kong public holiday	Tuesday, 23 October 2012
Record date for entitlement of interim dividend	Wednesday, 24 October 2012
Despatch date of interim dividend	Friday, 9 November 2012

DISCLOSURE OF INTERESTS

Directors' Interests and Long Positions in Shares

As at 30 June 2012, the interests of Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

Name of Director	Types of interests	Capacity	Total number of non-listed shares	Approximate percentage of the issued share capital of the Company
Mr. Zhang Hua Wei	Personal	Beneficial owner	32,400,000	0.72%
Mr. Miao Yan Guo	Personal	Beneficial owner	23,400,000	0.52%
Mr. Wang Yi	Personal	Beneficial owner	23,400,000	0.52%
Mrs. Zhou Shu Hua	Personal	Beneficial owner	15,300,000	0.34%
Mr. Wang Zhi Fan	Personal	Beneficial owner	8,100,000	0.18%
Mr. Wu Chuan Ming	Personal	Beneficial owner	7,200,000	0.16%

In addition, Mr. Chen Lin, son of Mr. Chen Xue Li, the Chairman, is the holder of the Company's 200,000 non-listed shares, representing 0.004% of the issued share capital of the Company.

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

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

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance had recorded that other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of their relevant interest in the non-listed shares of the issued share capital of the Company.

Name of Shareholder	Capacity	Number of non-listed shares	Number of H shares	Approximate percentage of the Company's non-listed shares	Approximate percentage of the Company's total issued share capital
Weigao Holding Company Limited	Beneficial owner	2,129,755,676	–	82.1%	47.6%
Medtronic Holding Switzerland GmbH	Beneficial owner	322,884,324	263,096,324	12.5%	13.1%

Other than disclosed above, the following shareholders have disclosed their relevant interests or short positions in the issued share capital of the Company:

Names of Substantial Shareholders	Number of H shares interested		Percentage of issued H share capital
JPMorgan Chase & Co.	301,019,401	(L)	16.0%
	295,300,726	(P)	15.7%
Medtronic Holding Switzerland G.m.b.H.	263,096,324	(L)	14.0%
Atlantis Capital Holdings Limited	169,400,000	(L)	9.0%
Baillie Gifford & Co	132,076,000	(L)	7.0%
Norges Bank	123,216,000	(L)	6.5%
Plowden Charles	118,388,000	(L)	6.3%
The Capital Group Companies, Inc.	116,345,000	(L)	6.2%
Capital Research and Management Company	114,662,000	(L)	6.1%

Note: (L) – Long Position, (P) – Lending Pool

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2012, the largest supplier of the Group and the other four largest suppliers accounted for 9.6% and 14.2% respectively of the Group's total purchases.

Aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total turnover.

At no time during the Period did a director, an associate of a director or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the five largest customers or suppliers.

CORPORATE GOVERNANCE

The Board of Directors of the Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability and is committed to the maintenance of good corporate governance practices and procedures.

The Company has also applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and Corporate Governance Code ("CG Code") during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), except for the deviation that Code Provision A4.1 which stipulates that non-executive directors should be appointed for a specific term. Independent non-executive directors do not have a specific term of appointment, but subject to retirement by rotation and re-election at the annual general meeting.

Board of Directors

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of overall business strategies, internal control and risk management systems, and monitoring the performance of the senior management. The management is responsible for the daily operations of the Group under the leadership of the CEO. The Directors have the responsibility to act objectively in the interests of the Company.

Currently, the Board comprises 13 Directors, including five executive Directors, four non-executive Directors and four independent non-executive Directors.

In compliance of Rule 3.10(1) of the Listing Rules, the Board currently comprises four independent non-executive Directors who are independent under the independence criteria and are capable to effectively exercise independent judgment. Amongst the four independent non-executive Directors, Mr. Lo Wai Hung has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 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 Company set up an Audit Committee (the "Committee") on 1 September 2002 with written terms of reference in compliance with the Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Company. The Committee comprises Mr. Lo Wai Hung, Mr. Li Jia Miao, Mrs. Fu Ming Zhong and Mrs. Wang Jin Xia, being independent non-executive Directors and Mrs. Zhou Shu Hua, a non-executive Director. Mr. Lo Wai Hung is the chairman of the Committee.

The Company's financial statements for the six months ended 30 June 2012 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 adequate disclosures have been made.

Nomination Committee

The Company established a nomination committee on 15 March, 2012, in accordance with the requirement of the Code. The nomination committee comprises Mr. Lo Wai Hung, Mr. Li Jia Miao, Mrs. Fu Ming Zhong, Mrs. Wang Jin Xia and Mrs. Zhou Shu Hua. The chairman of the nomination committee is Mr. Lo Wai Hung. The terms of reference of the nomination committee have been defined. The Nomination Committee shall be provided with sufficient resources to perform its duties and shall have access to independent professional advice if necessary. All members of the Nomination Committee shall have access to the advice and services of the company secretary, and separate and independent access to the Company's senior management for obtaining necessary information.

Disclosure of Information on Directors

Pursuant to Rule 13.51B of the Listing Rules, the changes of information on Directors during the period are stated as follows:–

1. Mr. Christopher J. O' Connell has been appointed as the non-executive director of the Company with effect from 21 May 2012.

2. Mrs. Wang Jin Xia has been appointed as the independent non-executive director, the member of the audit committee and nomination committee with effect from 21 May 2012.

3. Mr. Lo Wai Hung has been re-elected as the independent non-executive director of the Company with effect from 21 May 2012.

PRE-EMPTIVE RIGHTS

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

Pursuant to the terms of the subscription and sale and purchase agreement dated 28 December 2007 entered into between the Company, Weigao Holding Company Limited, certain management shareholders, Medtronic and Medtronic Holding Switzerland Gmbh ("Medtronic Switzerland"), so long as Medtronic Switzerland continuously and beneficially owns at least five percent (5%) of the enlarged issued share capital of the Company in the form of H Shares, it shall be entitled to certain pre-emptive rights in the event that the Company proposes to issue H Shares or securities that are convertible into H Shares. Provided that Medtronic Switzerland maintains the five percent (5%) threshold requirement described immediately above, the Company shall, prior to issuing any H Shares or securities that are convertible into H Shares, give Medtronic Switzerland notice in writing specifying (a) the number of H Shares it proposes to issue, and (b) the price at which such H Shares are being issued. Upon receipt of such notice, Medtronic Switzerland shall have the right, but not the obligation, to subscribe for up to such number of H shares (or securities that are convertible into H Shares), at the same price and on the same terms and conditions as set out in the notice, as necessary to maintain its pro-rata equity ownership of the Company.

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

Since the commencement of dealings in the H shares of the Company on 27 February 2004, save for the Company to place 52,900,000 new H Shares of the Company on 30 November 2005 and 30,000,000 new H shares of the Company on 19 April 2007, the issue of 80,721,081 new H Shares of the Company on 18 December 2008 and the issue of 85,624,000 new H Shares of the Company on 27 April 2011, the Company and its subsidiaries did not purchase, sell or redeem any listed shares of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPETING INTERESTS

So far as the Directors are aware, for the six months ended 30 June 2012, none of the Directors or management shareholders of the Company (as defined in the Listing Rules) or their respective associates have an interest in a business which competes or may compete with the business of the Group, or have any other conflict of interest with the Group.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 June 2012 have been reviewed by the Audit Committee.

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

15 August 2012

Weihai, Shandong, the PRC

As at the date of this report, the Board comprises Executive Directors, namely Mr. Zhang Hua Wei, Mr. Miao Yan Guo, Mr. Wang Yi, Mr. Wang Zhi Fan and Mr. Wu Chuan Ming, and Non-executive Directors, namely Mr. Chen Xue Li, Mrs. Zhou Shu Hua, Mr. Christopher J. O' Connell and Mr. Li Bing Yung, and Independent Non-executive Directors, namely Mr. Lo Wai Hung, Mr. Li Jia Miao, Mrs. Fu Ming Zhong and Mrs. Wang Jin Xia.