WEGO 威高

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 2013

* For identification purposes only

SUMMARY

For the six months ended 30 June 2013 (the "Period"), the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB2,162,056,000, representing an increase of approximately 15.1% over approximately RMB1,879,063,000 for the same period last year.

The unaudited net profit attributable to the shareholders of the Group for the six months ended 30 June 2013 was approximately RMB429,471,000, representing a decrease of approximately 13.3% over approximately RMB495,116,000 for the same period last year. Excluding extraordinary items, net profit attributable to the equity holders of the Company was approximately RMB498,716,000 (same period in 2012: approximately RMB526,223,000), representing a decrease of approximately 5.2% when compared with the same period last year.

During the Period, (1) turnover of single-use consumables reached approximately RMB1,659,571,000, representing an increase of 6.8% when compared with the same period last year; (2) turnover of orthopaedic was approximately RMB260,042,000, representing an increase of 77.7% when compared with the same period last year. The winding up of the Distribution Joint Venture with Medtronic is underway. The division and transfer of principal assets, personnel, markets and business operation of the Distribution Joint Venture had been completed. The Distribution Joint Venture contributed approximately RMB29,219,000 to the profit of the Group for the same period last year; (3) turnover of blood purification business was approximately RMB242,443,000, representing an increase of 35.2% 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 RMB32,332,000. Excluding extraordinary items, Biosensors contributed approximately RMB67,641,000 to the profit of the Group, representing a decrease of 23.3% when compared with the same period last year.

The Board of Directors (the "Board") recommends the distribution of an interim dividend of RMB0.029 per share (same period in 2012: RMB0.033 per share) for the six months ended 30 June 2013. The 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 2013, together with the unaudited comparative figures for the same period in 2012 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	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Revenue	*3*	**2,162,056**	1,879,063	**1,149,380**	1,017,104
Cost of sales		**(880,428)**	(829,665)	**(469,592)**	(445,100)
Gross profit		**1,281,628**	1,049,398	**679,788**	572,004
Other income, gain and losses		**(8,804)**	39,851	**(20,093)**	23,661
Distribution costs		**(562,350)**	(421,616)	**(292,661)**	(224,598)
Administration expenses		**(235,460)**	(189,439)	**(126,492)**	(99,108)
Finance costs	*5*	**(4,157)**	(1,380)	**(2,304)**	–
Share of losses of jointly controlled entities		**(1,422)**	(2,081)	**(1,451)**	(1,157)
Share of profit of associates		**32,332**	86,292	**4,325**	47,586
Profit before taxation	*6*	**501,767**	561,025	**241,112**	318,388
Income tax expense	*7*	**(71,872)**	(64,599)	**(38,991)**	(36,256)
Profit for the Period		**429,895**	496,426	**202,121**	282,132

	Notes	Unaudited For the six months ended 30 June 2013 RMB'000	2012 RMB'000	Unaudited For the three months ended 30 June 2013 RMB'000	2012 RMB'000
Other comprehensive income					
Exchange difference on translation of foreign operations		**(15,293)**	15,188	**(16,412)**	908
Total comprehensive income for the Period		**414,602**	511,614	**185,709**	283,040
Profit for the Period attributable to:					
Owners of the Company	*8*	**429,471**	495,116	**201,149**	281,394
Non-controlling interest		**424**	1,310	**972**	738
		429,895	496,426	**202,121**	282,132
Total comprehensive income attributable to:					
Owners of the Company		**414,178**	510,304	**184,737**	282,302
Non-controlling interest		**424**	1,310	**972**	738
		414,602	511,614	**185,709**	283,040
		RMB	RMB	**RMB**	RMB
Earnings per share – Basic	*10*	**0.096**	0.111	**0.045**	0.063

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	*11*	**3,587,460**	3,198,249
Investment properties		**10,368**	10,597
Deposits paid for acquiring property, plant and equipment		**45,316**	59,407
Prepaid lease payments	*12*	**456,344**	461,520
Intangible assets		**18,002**	19,820
Interest in jointly controlled entities	*13*	**103,035**	104,457
Interest in associates	*14*	**2,542,608**	2,525,106
Goodwill		**202,900**	202,900
Deferred tax assets		**19,793**	24,402
Other receivables			
– receivable after one year		**–**	1,684
		6,985,826	6,608,142
Current assets			
Inventories	*15*	**842,046**	830,274
Trade and other receivables	*16*	**1,871,205**	1,651,028
Pledged bank deposits	*17*	**111,940**	91,546
Bank balances and cash	*18*	**1,262,174**	1,297,856
		4,087,365	3,870,704
Current liabilities			
Trade and other payables	*19*	**1,453,105**	1,472,504
Bank borrowings			
– repayable within one year		**200,000**	–
Taxation payable		**43,671**	57,253
		1,696,776	1,529,757
Net current assets		**2,390,589**	2,340,947
		9,376,415	8,949,089

	Notes	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Capital and reserves			
Share capital	*20*	**447,637**	447,637
Reserves	*21*	**8,877,534**	8,463,356
Equity attributable to owners of the Company		**9,325,171**	8,910,993
Non-controlling interest		**23,316**	9,422
Total equity		**9,348,487**	8,920,415
Non-current liabilities			
Deferred income		**27,928**	28,674
		9,376,415	8,949,089

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net cash inflow generated from operating activities	**271,828**	399,141
Net cash outflow used in investing activities	**(482,887)**	(361,005)
Net cash (outflow)/inflow before financing activities	**(211,059)**	38,136
Net cash inflow/(outflow) from financing activities	**209,313**	(219,683)
Net decrease in cash and cash equivalents	**(1,746)**	(181,547)
Bank balances and cash as at beginning of period	**1,297,856**	1,851,238
Effect of foreign exchange rate changes, net	**(33,936)**	1,388
Bank balances and cash as at end of period	**1,262,174**	1,671,079

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Balance as at 1 January	**8,910,993**	8,201,991
Net profit for the period	**429,471**	495,116
Dividend paid	**–**	(134,291)
Exchange gains and losses arising from foreign currency transactions	**(15,293)**	15,188
Balance as at 30 June	**9,325,171**	8,578,004

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 were 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 2012.

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 2013 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 2012.

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.

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

For the six months ended 30 June 2013

	Single-use medical products RMB'000	Orthopaedic products RMB'000	Blood products RMB'000	Eliminations RMB'000	Total RMB'000
Revenue					
External sales	**1,659,571**	**260,042**	**242,443**	**–**	**2,162,056**
Inter-segment sales	**4,777**	**–**	**181**	**(4,958)**	**–**
Total	**1,664,348**	**260,042**	**242,624**	**(4,958)**	**2,162,056**
Segment profit	**297,432**	**137,327**	**16,069**	**–**	**450,828**
Unallocated expenses					**(229)**
Unallocated other income, gain and losses					**20,258**
Share of profit of jointly controlled entities					**(1,422)**
Share of profit of associate					**32,332**
Profit before taxation					**501,767**

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	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

5. Finance costs

Finance costs for the three months and six months ended 30 June 2013 were RMB2,304,000 and RMB4,157,000 respectively (same periods in 2012: RMB nil and RMB1,380,000 respectively), which mainly included interest expenses on bank and other borrowings.

6. Profit before taxation

	Unaudited For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Operating profit has been arrived at after charging (crediting) the followings:–		
Provision for bad debts	**14,286**	9,959
Amortization of intangible assets (included in administration expenses)	**1,817**	1,557
Depreciation of property, plant and equipment	**77,203**	58,729
Depreciation of investment properties	**229**	229
Prepaid lease payments charged to profit or loss	**5,176**	4,849
Rental payments in respect of premises under operating leases	**6,451**	5,096
Research and development expenditure	**97,885**	77,329
Cost of inventory recognized as expenses	**562,094**	555,487
Staff costs, including directors' and supervisors' remuneration		
– Retirement benefits scheme contribution	**70,390**	58,291
– Salaries and other allowances	**283,425**	220,482
Total staff costs	**353,815**	278,773
Losses/(gains) from foreign exchange, net	**33,936**	(1,378)
Losses on disposal of property, plant and equipment	**56**	240
Interest income	**(2,443)**	(14,620)
Rental income from investment properties	**(891)**	(891)
Rebate of value-added tax	**(19,413)**	(21,440)

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. Income tax expense

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 Ministry of Finance and the State Administration of Taxation 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 BP") 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 2013 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 2013 is computed at a tax rate of 15%.

Taxation for other PRC subsidiaries is computed at a tax rate of 25% (2012: 25%).

No provision of Hong Kong taxation had been made for Weigao International Medical Co., Ltd., Weigo 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 2013, net profit attributable to owners of the Group were approximately RMB201,149,000 and RMB429,471,000 (same periods in 2012: approximately RMB281,394,000 and RMB495,116,000 respectively) respectively.

9. Dividends

The Board recommends the distribution of an interim dividend of RMB0.029 per share for the six months ended 30 June 2013 (same period in 2012: RMB0.033 per share).

10. Earnings per share

For the three months and six months ended 30 June 2013, basic earnings per share were calculated based on the profits attributable to shareholders of approximately RMB201,149,000 and RMB429,471,000 (same periods in 2012: approximately RMB281,394,000 and RMB495,116,000 respectively) respectively and the weighted average total number of shares of 4,476,372,324 shares and 4,476,372,324 shares (same periods in 2012: 4,476,372,324 shares and 4,476,372,324 shares) respectively.

For the three months and six months ended 30 June 2013, diluted earnings per share were not presented as there were no potential dilutive shares 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 2012	1,485,741	542,961	726,843	46,792	11,404	96,807	2,910,548
Additions	675,471	5,531	113,869	9,529	–	60,434	864,834
Transfer	(203,853)	48,320	148,912	652	–	5,969	–
Transfer from investment properties	–	(9,934)	–	–	–	–	(9,934)
Disposals	–	–	(9,944)	(3,796)	–	(1,987)	(15,727)
As at 31 December 2012	1,957,359	586,878	979,680	53,177	11,404	161,223	3,749,721
Additions	372,591	–	33,466	2,624	–	57,835	466,516
Transfer	(791,865)	765,421	24,744	–	–	1,700	–
Transfer from investment properties	–	–	–	–	–	–	–
Disposals	–	–	(291)	(342)	–	(872)	(1,505)
As at 30 June 2013	1,538,085	1,352,299	1,037,599	55,459	11,404	219,886	4,214,732
Depreciation							
As at 1 January 2012	2,314	99,630	236,230	24,908	11,404	65,570	440,056
Provided for the year	–	20,926	73,299	7,505	–	23,353	125,083
Eliminated on disposals	–	–	(7,053)	(2,936)	–	(1,025)	(11,014)
Transfer to investment properties	–	(2,653)	–	–	–	–	(2,653)
As at 31 December 2012	2,314	117,903	302,476	29,477	11,404	87,898	551,472
Provided for the year	–	9,653	47,096	3,259	–	17,195	77,203
Eliminated on disposals	–	–	(269)	(325)	–	(809)	(1,403)
Transfer to investment properties	–	–	–	–	–	–	–
As at 30 June 2013	2,314	127,556	349,303	32,411	11,404	104,284	627,272
Carrying values							
As at 30 June 2013	1,535,771	1,224,743	688,296	23,048	–	115,602	3,587,460
As at 31 December 2012	1,955,045	468,975	677,204	23,700	–	73,325	3,198,249

12. Prepaid lease payments

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
The Group's prepaid lease payments comprise:		
Leasehold land in PRC		
Medium-term lease	**466,615**	471,791
Analysed for reporting purposes as:		
Current portion	**10,271**	10,271
Non-current portion	**456,344**	461,520
	466,615	471,791

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 2013	31 December 2012	
Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd. ("Weigao Nikkiso")	Incorporated	PRC	**51%**	51%	Manufacture, sale and after-sale service of Nikkiso technology based medical products.
Weigao Terumo (Weihai) Medical Products Co., Ltd. ("Weigao Terumo")	Incorporated	PRC	**50%**	50%	Manufacturing and sale of medical products.

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Cost of unlisted investment, at cost	**117,990**	117,990
Share of post-acquisition loss	**(14,955)**	(13,533)
	103,035	104,457

14. Interest in associates

Name	Form of business structure	Place of incorporation or registration/ operation	Attributable equity interest directly held by the Company		Principal activities
			30 June 2013	31 December 2012	
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%**	21.5%	Sale and distribution of heart medical device products

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Cost of listed investment in an associate, at cost	**2,276,200**	2,276,200
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	**194,094**	176,592
	2,542,608	2,525,106

15. Inventories

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Raw materials	**158,956**	149,607
Finished goods	**683,090**	680,667
	842,046	830,274

16. Trade and other receivables

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
0 to 90 days	**907,792**	749,000
91 to 180 days	**326,679**	311,442
181 to 365 days	**196,758**	189,267
Over 365 days	**40,181**	35,085
Trade receivables	**1,471,410**	1,284,794
Bills receivables	**192,577**	204,482
Other receivables	**62,853**	33,905
Prepayments	**128,905**	110,076
Other receivables – receivable within one year	**5,189**	7,500
Prepaid lease payments	**10,271**	10,271
	1,871,205	1,651,028

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 0.35% to 3.05% (same periods in 2012: 0.44% 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 original maturity of one year or less. The maximum fixed interest rate for those deposits was ranged from 0.35% to 3.3% (same periods in 2012: 0 to 3.5%) per annum. The fair values of bank deposits as at 30 June 2013 approximated to their corresponding carrying amounts.

19. Trade and other payables

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
0 to 90 days	**590,592**	663,926
91 to 180 days	**51,277**	57,395
181 to 365 days	**30,077**	45,751
Over 365 days	**8,011**	9,145
Trade payables	**679,957**	776,217
Bills payables	**187,253**	231,898
Advances from customers	**80,009**	64,268
Other tax payables	**52,200**	55,683
Other payable for the acquisition of additional interest in a subsidiary	**22,000**	22,000
Other payables	**431,686**	322,438
	1,453,105	1,472,504

20. Share capital

	Nominal value of each share RMB	Number of non-listed Shares	Number of H Shares	Total number of Shares	Value RMB'000
As at 1 January 2012	0.1	2,592,640,000	1,883,732,324	4,476,372,324	447,637
As at 31 December 2012	0.1	2,592,640,000	1,883,732,324	4,476,372,324	447,637
As at 30 June 2013	0.1	2,592,640,000	1,883,732,324	4,476,372,324	447,637

21. Movements in reserves

	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 surplus RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2012	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	–	–	–	–	–	996,486	996,486	(116)	996,370
Exchange differences arising on translation of foreign operations									
– subsidiaries	–	–	–	(626)	–	–	(626)	–	(626)
– an associate	–	–	–	(4,847)	–	–	(4,847)	–	(4,847)
Total comprehensive income for the year	–	–	–	(5,473)	–	996,486	991,013	(116)	990,897
Transfer to statutory reserve	–	–	14,696	–	–	(14,696)	–	–	–
Dividends paid	–	–	–	–	–	(282,011)	(282,011)	–	(282,011)
At 31 December 2012	447,637	2,478,544	255,658	(22,401)	2,661	5,748,894	8,910,993	9,422	8,920,415
Profit for the Period	–	–	–	–	–	429,471	429,471	424	429,895
Exchange differences arising on translation of foreign operations									
– subsidiaries	–	–	–	(463)	–	–	(463)	–	(463)
– an associate	–	–	–	(14,830)	–	–	(14,830)	–	(14,830)
Total comprehensive income for the Period	–	–	–	(15,293)	–	429,471	414,178	424	414,602
Contribution from minority shareholders	–	–	–	–	–	–	–	13,470	13,470
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	–
As at 30 June 2013	447,637	2,478,544	255,658	(37,694)	2,661	6,178,365	9,325,171	23,316	9,348,487

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 2013, the retained earnings available for distribution to shareholders was approximately RMB2,227,010,000.

International collaboration

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

During the Period, the dissolution procedure of the Distribution Joint Venture with Medtronic in orthopaedic products was in progress. The division and transfer of its principal assets, personnel, markets and business operation had been completed. The Joint Venture contributed approximately RMB29,219,000 to the profit of the Group for the same period of last year.

During the Period, Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd, the joint venture company with Nikkiso Co., Ltd. ("Weigao Nikkiso") performed well. The joint venture company produces haemodialysis machines and provides after-sales services in China. Weigao BP distributes haemodialysis machines produced by the joint venture company in the China market. The collaboration leverages the complementary strengths of the two partners and it has further strengthened 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. Profit from Weigao Nikkiso attributable to the Group for the six months ended 30 June 2013 amounted to approximately RMB1,804,000 (same period in 2012: loss of RMB2,081,000).

During the Period, the Group established a strategic alliance with Terumo Corporation and Terumo (China) Holding Co. Ltd 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 BP, 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. Loss from Weigao Terumo attributable to the Group for the six months ended 30 June 2013 amounted to approximately RMB3,226,000 (same period in 2012: Nil).

Optimization adjustments to product mix

During the Period, the Group continued to implement the restructuring on its sales and marketing systems and the adjustments to optimise product mix. The Group focused its marketing resources on the exploration and maintaining relationship with hospitals with the grade-A of tier two or above（二甲級以上醫院）. It increased the investment in the medium end market channels to improve its customers and product lines coverage. The Group focused on the development of orthopaedic and blood purification products, increased marketing promotion and allocation of sales resources to increase market share continuously.

Due to effective adjustments in product mix and improvement in operational efficiency, the Group absorbed the impact of the significant increase in production costs as a result of factory relocation during the Period, and further increased the gross profit margin to 59.3% from 55.8% 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 52.1% (same period in 2012: 45.5%). The performance of the Group in four business segments was as follows:

1. Consumables: During the Period, the principal products segment of the Group achieved a turnover of approximately RMB1,659,571,000, representing an increase of 6.8% over the same period last year.

   During the Period, the Group's specialized infusion set with dosage control device and infusion sets made of proprietary non PVC based material recorded sales of RMB590,688,000, representing an increase of 4.4% over the same period last year.

   During the Period, the needle products of the Group recorded a turnover of approximately RMB351,063,000, representing an increase of 4.5% when compared with 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 RMB107,124,000, representing an increase of 19.8% over the same period last year.

2. The blood purification business of Weigao BP had achieved rapid growth and during the Period. It recorded a turnover of approximately RMB242,443,000, representing an increase of 35.2% when compared with the same period last year, of which haemodialysis consumable products recorded a turnover of approximately RMB192,172,000, representing an increase of 54.7% when compared with the same period last year. During the Period, the Group also entered into the contracts to purchase equipment for the third and fourth dialyser production lines, which are expected to come into commercial production in 2014 and 2015 with planned annual production capacity of 8,000,000 pieces of dialysers. During the Period, the third haemodialysis centre of Weigao BP had established and commenced operation.

3. The consolidation of the orthopaedic sales channels was completed, and recorded a turnover of approximately RMB260,042,000, representing an increase of 77.7% as compared with the same period last year.

During the Period, Biosensors International Pte Ltd. ("Biosensors"), which is 21.5% held by the Group, contributed approximately RMB32,332,000 to the profit of the Group (same period in 2012: RMB57,073,000). Excluding the extraordinary items, Biosensors contributed approximately RMB67,641,000 to the profit of the Group, representing a decrease of 23.3% over the same period last year (same period in 2012: RMB88,180,000).

RESEARCH AND DEVELOPMENT

For the six months ended 30 June 2013, the Group obtained 15 new patents and 129 new patents are under application. Product registration certificates for 21 new products were obtained. The research and development for 44 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 2013, the Group had over 260 product registration certificates and over 220 patents, of which 40 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 2013, total research and development expenses amounted to approximately RMB97,885,000 (same period in 2012: RMB77,329,000), representing 4.5% (same period in 2012: 4.1%) of the turnover of the Group.

PRODUCTION

For the period ended 30 June 2013, 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**	**2013**	2012	**Increase/ (Decrease) over corresponding period %**
Syringes	1,000 pieces	**457,551**	498,819	(8.3)
Infusion (transfusion) sets	1,000 pieces	**216,639**	241,508	(10.3)
Blood sampling products	1,000 pieces	**86,351**	96,240	(10.3)
Pre-filled syringes	1,000 pieces	**38,012**	32,119	18.3
Intravenous catheters	1,000 pieces	**30,023**	27,915	7.5
Blood bags	1,000 sets	**13,334**	13,458	(0.9)
Orthopaedic products	1,000 sets	**1,458**	2,169	(32.8)
Haemodialysis consumables	1,000 sets	**1,752**	942	86.0
PVC granules	Tons	**8,003**	7,300	9.6
Others	1,000 sets	**198,120**	163,062	21.5

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 and adjusting its product mix. For the six months ended 30 June 2013, the Group newly added 45 hospitals, 14 other medical units and 2 distributors. As at the date of this report, the Group has a customer base of 5,021 (including 3,008 hospitals, 414 blood stations, 602 other medical units and 997 distributors).

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

TURNOVER BY GEOGRAPHICAL SEGMENTS

Region	2013		2012		Growth
	RMB'000	**%**	RMB'000	%	%
Eastern and Central	**900,192**	**41.6**	756,929	40.3	18.9
Northern	**469,700**	**21.7**	427,659	22.8	9.8
Northeast	**245,246**	**11.4**	219,496	11.7	11.7
Southern	**194,245**	**9.0**	171,771	9.1	13.1
Southwest	**178,148**	**8.2**	152,730	8.1	16.6
Northwest	**72,838**	**3.4**	54,938	2.9	32.6
Overseas	**101,687**	**4.7**	95,540	5.1	6.4
Total	**2,162,056**	**100.0**	1,879,063	100.0	15.1

The integration of sales channels has strengthened the Group's market penetration and influence over the direct sales to high-end customers. It enhanced sales contribution per customer and average sales per customer were increased by approximately 16.0% over the same period last year. It continued to drive the higher product penetration to high-end customers and 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 had 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 out as follows:

	For the six months ended 30 June			For the three months ended 30 June		
Product category	**2013 RMB'000**	2012 RMB'000	**Increase/ (Decrease) over corresponding period %**	**2013 RMB'000**	2012 RMB'000	**Increase/ (Decrease) over corresponding period %**
Single-use consumables						
Infusion sets	**590,688**	565,669	4.4	**304,008**	304,793	(0.3)
Needles	**351,063**	335,846	4.5	**182,644**	176,100	3.7
Syringes	**278,175**	257,609	8.0	**144,979**	135,556	7.0
Blood bags	**107,092**	98,242	9.0	**58,116**	52,240	11.2
Pre-filled syringes	**107,124**	89,388	19.8	**62,745**	51,811	21.1
Blood sampling products	**36,214**	33,914	6.8	**21,115**	19,057	10.8
Wound Management	**35,733**	31,001	15.3	**21,303**	18,327	16.2
PVC granules	**35,342**	33,283	6.2	**20,168**	18,483	9.1
Other consumables	**118,140**	108,354	9.0	**61,890**	55,558	11.4
Subtotal for single-use consumables	**1,659,571**	1,553,306	6.8	**876,968**	831,925	5.4
Orthopaedic products	**260,042**	146,376	77.7	**132,414**	79,170	67.3
Blood purification consumables	**192,172**	124,223	54.7	**106,511**	69,982	52.2
Blood purification equipments	**50,271**	55,158	(8.9)	**33,487**	36,027	(7.1)
Total	**2,162,056**	1,879,063	15.1	**1,149,380**	1,017,104	13.0

HUMAN RESOURCES

As at 30 June 2013, the Group employed a total of 9,003 employees. The breakdown by departments when compared with the previous year is as follows:

Department	**As at 30 June 2013**	As at 31 December 2012
Production	**5,494**	5,720
Sales and marketing	**1,967**	1,762
Research and development	**920**	906
Finance and administration	**355**	294
Quality control	**142**	139
Management	**87**	80
Purchasing	**38**	34
Total	**9,003**	8,935

Save for five 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 RMB353,815,000 (same period in 2012: RMB278,773,000).

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 determined 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 2013, the Group recorded a turnover of RMB2,162,056,000, representing an increase of 15.1% over the same period last year, and net profit attributable to shareholders was RMB429,471,000, representing a decrease of approximately 13.3% as compared with approximately RMB495,116,000 of the same period last year. Net profit attributable to owners of the Company excluding extraordinary items was approximately RMB498,716,000 (same period in 2012: approximately RMB526,223,000), representing a decrease of approximately 5.2% over the same period of the previous year.

Liquidity and Financial Resources

The Group has maintained a sound financial position. As at 30 June 2013, the Group's cash and bank balance amounted to approximately RMB1,262,174,000. For the six months ended 30 June 2013, net cash flow from operating activities of the Group amounted to approximately RMB271,828,000. The Group has maintained a sound cash flow position.

For the six months ended 30 June 2013, the Group had new bank loans of approximately RMB200,000,000 (same period in 2012: Nil), and total interest expenses of the Group were approximately RMB4,157,000 (same period in 2012: RMB1,380,000).

Gearing Ratio

As at 30 June 2013, total net cash of the Group amounted to approximately RMB1,062,174,000 (same period in 2012: RMB1,671,079,000).

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 2013, 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 2013, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

Due to the change in exchange rates, foreign exchange loss equivalent to RMB33,936,000 (same period in 2012: foreign exchange gain equivalent to RMB1,378,000) for the six months ended 30 June 2013 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 ruling of arbitration was awarded on 5 March 2013. The Board is of the view that it will not have a significant impact on the Group after considering the following factors.

(a) The Arbitral Tribunal dismissed the first claim made by Adject and the wasted expenditure were awarded to Adject; and

(b) Both parties have submitted a statement for legal costs to the Arbitral Tribunal and there is a likelihood that Adject may be required to pay for some of the Company's legal costs when the Arbitral Tribunal publishes a final award for the legal costs and interests.

Save as disclosed above, the Group did not have any material contingent liabilities as at 30 June 2013.

Material Investments in Subsidiaries/Future Material Investment Plans

1. During the Period, the Group made an investment of RMB466,516,000 on plant relocation, construction and equipment investment to expand its production capacity.

2. During the Period, the Group also entered into the contracts to purchase equipment for the third and fourth dialyser production lines, which are expected to come into commercial production in 2014 and 2015 with a total planned annual production capacity of 8,000,000 pieces of dialysers. The planned investment amount will be approximately RMB300,000,000.

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 2013, and there was no material acquisition and disposal in any other subsidiaries and associates during the Period.

As at 30 June 2013, 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 RMB754,662,000 (same period in 2012: RMB674,685,000).

Review and Outlook

During the Period, firstly, facing the situation of accelerating expansion of low and middle-end hospitals and intensifying competition in medical device industry in China, the Group continued to implement restructuring on its sales and marketing organisation, integrated its client resources and increased the investment of its channels. Such measures had led to the below expection revenue and profit growth from disposable medical consumables segment; secondly, manufacturing costs increased significantly due to the effect of relocation of our plants, which had squeezed its profitability; thirdly, profit contribution from Biosensors dropped significantly. A combination of the impact of such factors affected the growth of both revenue and profit of the Group during the Period which was substantially below expectation. However, the Directors believe that the adjustment of marketing strategies of the Group will lay a solid foundation for the Company to continuously expand market shares, the effect of which will gradually be felt in coming quarters.

Looking forward, the Company is of the view that the progress and effect of the restructuring on sales and marketing organisation will become a biggest challenge for the Group, while the new factory relocation and rising labour costs will continue to affect the profitability of conventional products. Meanwhile, the overhaul of the medical industry by the regulator will also exert pressure on overall growth of the industry. In view of this situation, the Group will place emphasis on the followings:

1. Continue to implement sales restructuring on marketing aspects, enhance the efforts in training marketing personnel, integrate the resources of direct selling customers, facilitate the optimization management on distributors, increase the investment in the middle-end market channels to improve the sales network coverage of the Group and market share of its product lines, and thereby consolidate and expand its market share.

2. Continue to intensify more efforts on research and development of new products to facilitate the adjustment of product mix; carefully organise and co-ordinate such arrangement to complete the new factory relocation smoothly; continue to enhance the investments in technological improvement, and increase automation standard with an objective of assimilating the pressure from increase in costs in relocation of new factory and rising labour costs.

3. 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.

4. 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 to gradually expand the international market share of 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, introducing technologies and further expanding product categories to consolidate the competitive strengths of the various product lines of the Company.

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

With the implementation of the sales restructuring strategy of the Group and the launching of more upgraded products and new product series, gradual easing of production capacity constraint, 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 RMB0.029 (same period in 2012: RMB0.033) per share for the six months ended 30 June 2013. 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 Wednesday, 16 October 2013 to Friday, 15 November 2013 (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 Tuesday, 15 October 2013.

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., Tuesday, 15 October 2013
Closure of register of members of the Company for attendance of the Special General Meeting	Wednesday, 16 October 2013 to Friday, 15 November 2013
Latest time to lodge in the reply slip	4:30 p.m., Friday, 25 October 2013
Date of Special General Meeting	Friday, 15 November 2013

PROPOSED INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended an interim dividend of RMB0.029 per share (inclusive of tax). The total amount of interim dividends to be distributed shall be approximately RMB129,815,000, 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, 15 November 2013. 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, 21 November 2013 to Wednesday, 27 November 2013 (both days inclusive) for the purpose of determining shareholders' entitlement to interim dividend for the six month ended 30 June 2013, 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 Wednesday, 20 November 2013. Dividend warrants in respect of the interim dividend of RMB0.029 per share will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Monday, 23 December 2013.

In order to qualify to entitle the interim dividend for the six months ended 30 June 2013:–

Latest time to lodge in the transfer instrument accompanied by the share certificates	4:30 p.m., Wednesday, 20 November 2013
Closure of register of members of the Company for entitlement of interim dividend for the six months ended 30 June 2012	Thursday, 21 November 2013 to Wednesday, 27 November 2013
Record date for entitlement of interim dividend	Wednesday, 27 November 2013
Despatch date of interim dividend	Monday, 23 December 2013

DISCLOSURE OF INTERESTS

Directors' Interests and Long Positions in Shares

As at 30 June 2013, 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 non-listed 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. Wang Yi	Personal	Beneficial owner	23,400,000	0.52%
Mrs. Zhou Shu Hua	Personal	Beneficial owner	15,300,000	0.34%

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	Total amount of capital contributed	Approximate percentage of the registered capital of Weigao Holding
Mr. Chen Xue Li	Beneficial owner	45,079,000	36.95%
Mr. Zhang Hua Wei	Beneficial owner	24,400,000	20.00%
Mrs. Zhou Shu Hua	Beneficial owner	12,200,000	10.00%
Mr. Wang Yi	Beneficial owner	7,320,000	6.00%

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 2013, 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	2,159,755,676	–	83.3%	48.2%

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	
JP Morgan Chase & Co.	263,030,332	(L)	13.96	(L)
	3,937,200	(S)	0.21	(S)
	253,270,270	(P)	13.45	(P)
OppenheimerFunds, Inc.	196,632,000	(L)	10.44	(L)
Oppenheimer Developing Markets Fund	175,850,000	(L)	9.34	(L)
Baillie Gifford & Co	151,636,000	(L)	8.05	(L)
McCombie Iain	151,636,000	(L)	8.05	(L)
Morrison Elaine	151,636,000	(L)	8.05	(L)
Plowden Charles	151,636,000	(L)	8.05	(L)
Tait Anthony	151,636,000	(L)	8.05	(L)
Telfer Andrew	151,636,000	(L)	8.05	(L)
Warden Alison	151,636,000	(L)	8.05	(L)
Tait Anthony	132,076,000	(L)	7.01	(L)
Telfer Andrew	132,076,000	(L)	7.01	(L)
Norges Bank	131,948,000	(L)	7.00	(L)
Atlantis Capital Holdings Limited	131,004,000	(L)	6.95	(L)
Liu Yang	131,004,000	(L)	6.95	(L)
Plowden Charles	118,388,000	(L)	6.28	(L)
Capital Research and Management Company	114,662,000	(L)	6.09	(L)
FIL Limited	112,164,007	(L)	5.95	(L)
Schroders Plc	109,677,481	(L)	5.82	(L)
Joho Partners L.P.	95,327,776	(L)	5.06	(L)
Karr Robert A.	94,327,038	(L)	5.01	(L)
RAK Capital, LLC	94,327,038	(L)	5.01	(L)

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

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2013, the largest supplier of the Group and the other four largest suppliers accounted for 7.2% and 16.2% 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 10 Directors, including four executive Directors, two 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 2013 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. Gong Jian Bo has been appointed as the executive director of the Company with effect from 18 March 2013.

2. Mr. Xia Lie Bo has been appointed as the executive director of the Company with effect from 18 March 2013.

3. Mr. Christopher J. O' Connell resigned as the non-executive director of the Company with effect from 1 July 2013.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the reporting Period.

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 2013, 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 2013 have been reviewed by the Audit Committee.

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

19 August 2013

Weihai, Shandong, the PRC

As at the date of this report, the Board comprises Executive Directors, namely Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Gong Jian Bo and Mr. Xia Lie Bo, and Non-executive Directors, namely Mr. Chen Xue Li and Mrs. Zhou Shu Hua, and Independent Non-executive Directors, namely Mr. Lo Wai Hung, Mr. Li Jia Miao, Mrs. Fu Ming Zhong and Mrs. Wang Jin Xia.