WEGO 威高

Leading in Development, Manufacture and Marketing of Single-use Medical Devices in the PRC

Third Quarter Results 2009

13 November 2009

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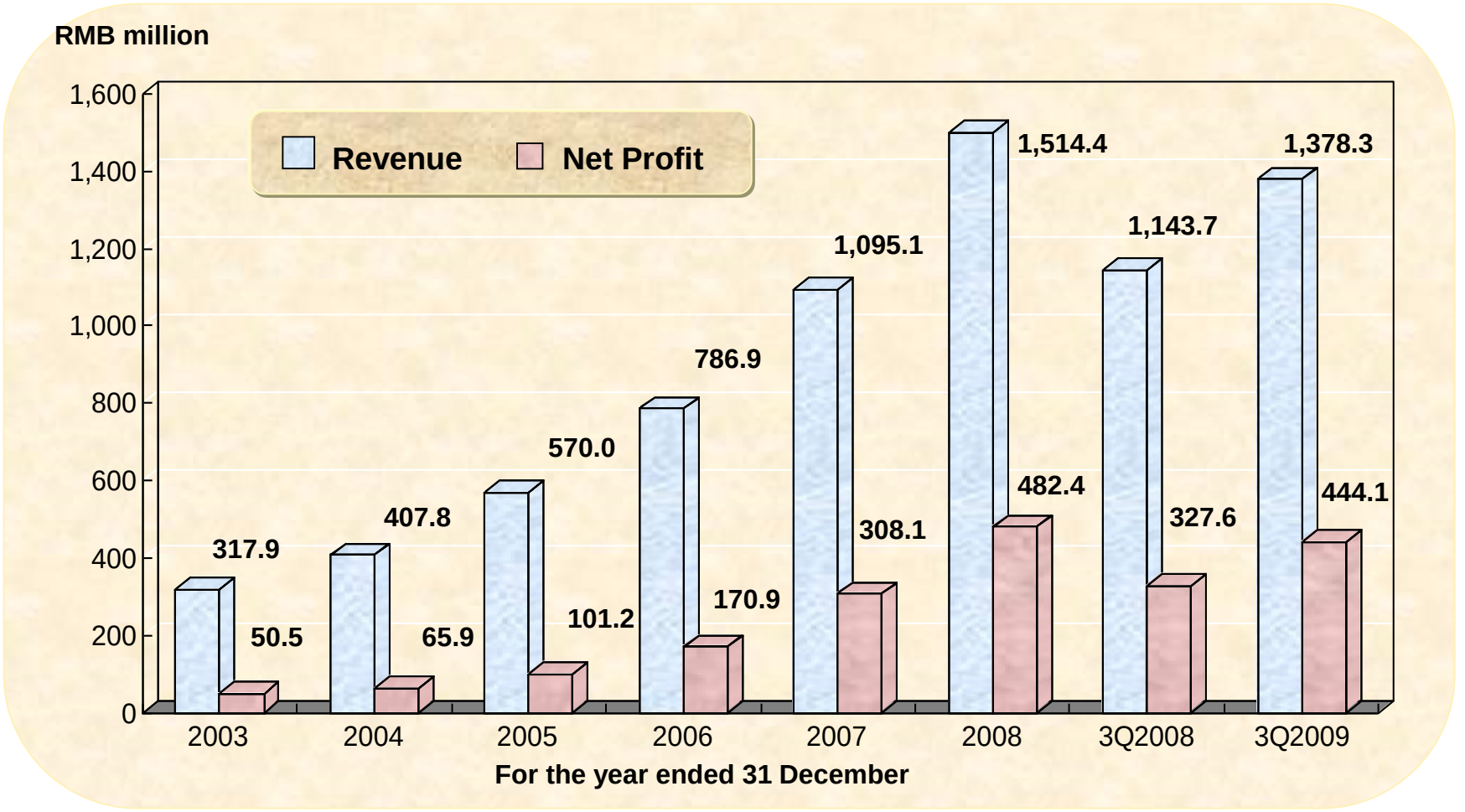
Financial Highlights

Continuous Revenue and Earnings Growth



5 Years CAGR

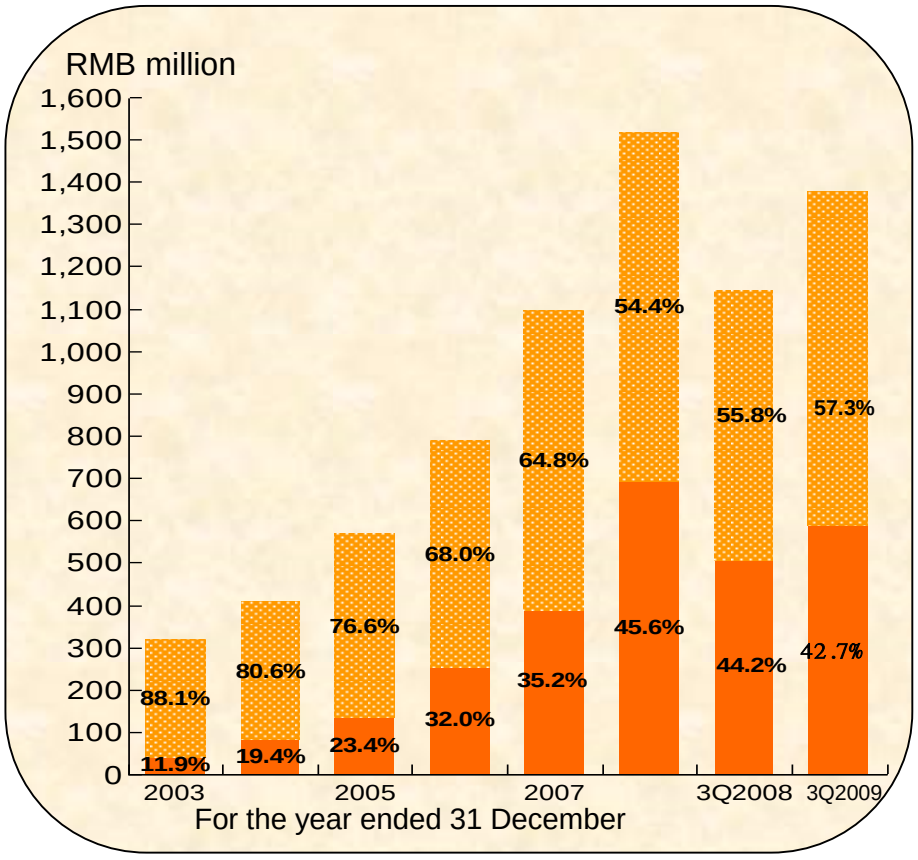
- Turnover: 36.6%↑
- Net Profit: 57.0%↑

3Q2009 vs 3Q2008

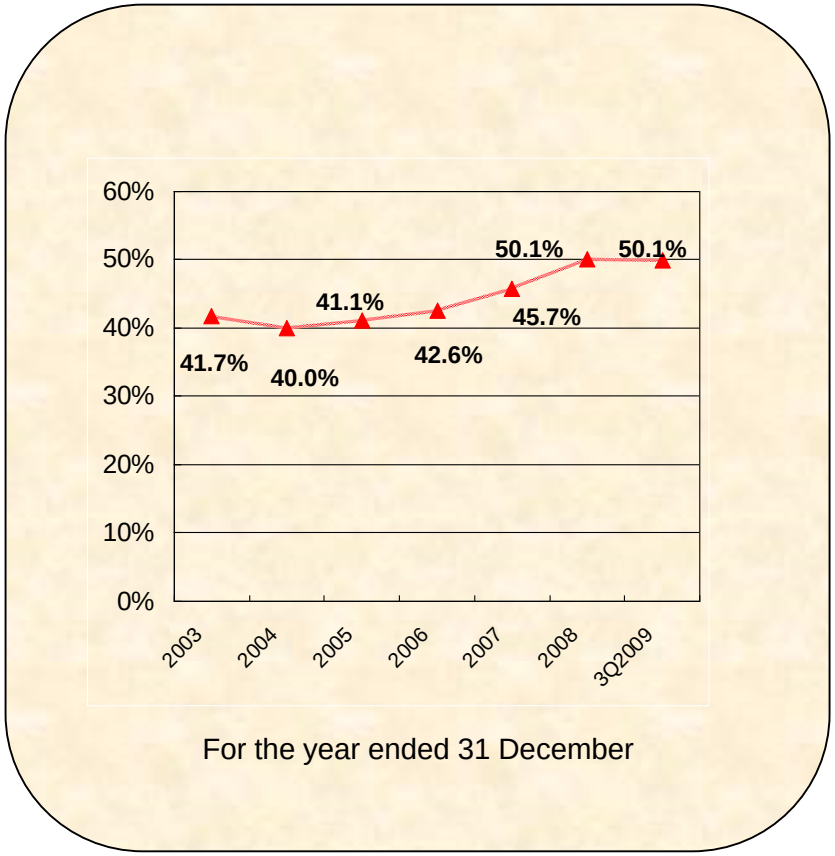
- Turnover: 20.5%↑
- Net profit: 35.6%↑

Turnover and GP Analysis

Turnover



Gross Profit Margins



High value-added products
(Gross profit margin > 60%)

Conventional products
(Gross profit margin < 60%)

Results Summary

RMB million	For 9 months ended 30 Sep 09	For 9 months ended 30 Sep 08	Change (%)	For 3 months ended 30 Sep 09	For 3 months ended 30 Sep 08	Change (%)
Sales revenue	**1,378.3**	**1,143.7**	+20.5	**504.2**	**445.9**	+13.1
- High value added products	**588.2**	**505.5**	+16.5	**230.5**	**204.0**	+13.0
- Conventional products	**790.1**	**638.7**	+23.7	**273.7**	**241.9**	+13.1
COGS	**(688.2)**	**(604.8)**	+13.8	**(243.9)**	**(234.1)**	+4.2
Gross profit	**690.1**	**538.9**	+28.1	**260.3**	**211.8**	+22.9
- Gross profit margin	**50.1%**	**47.1%**		**51.6%**	**47.5%**	
Other revenue	**47.7**	**24.5**	+94.7	**14.5**	**7.7**	+88.3
Operating expenses	**(353.6)**	**(243.8)**	+45.0	**(119.9)**	**(84.2)**	+42.4
- OpEx margin	**25.7%**	**21.3%**		**23.8%**	**18.9%**	
EBITDA	**435.9**	**363.8**	+19.8	**174.1**	**151.1**	+15.2
- EBITDA margin	**31.6%**	**31.8%**		**34.5%**	**33.9%**	
Depreciation	**(51.8)**	**(44.2)**	+17.2	**(19.1)**	**(15.8)**	+20.9
Total EBIT	**384.1**	**319.6**	+20.2	**155.0**	**135.3**	+14.6
Net interest expense	**(3.8)**	**(19.5)**	-80.5	**(1.3)**	**(7.3)**	(82.2)
Share of results in a jointly controlled entity	**84.3**	**50.0**	+68.6	**37.8**	**17.6**	+114.7
Share of results in an associate	**24.4**	**0.3**	+803.3	**14.9**	**0.3**	+4,866.6
Pre-tax profit	**489.0**	**350.4**	+39.6	**206.4**	**145.8**	+41.6
Tax expense	**(46.7)**	**(24.0)**	+94.6	**(19.8)**	**(9.2)**	+115.2
Minority interest	**(1.8)**	**(1.2)**	+50.0	**(0.1)**	**(0.2)**	(50)
Net profit attributable to shareholders	**444.1**	**327.6**	+35.6	**186.5**	**136.9**	+36.3
- Net profit margin	**32.2%**	**28.6%**		**37.0%**	**30.7%**	
EPS (basic)	**RMB0.413**	**RMB 0.329**	+25.5	**RMB0.173**	**RMB0.138**	+25.4

Turnover Breakdown by Products

	For the 3 months ended 30 September			% to turnover	
	2009	2008	**Change**	**2009**	2008
Products	**RMB m**	RMB m	**%**		
Self-produced products					
Consumables					
- *Infusion sets*	**140,497**	110,466	+27.2	**27.9**	24.8
- *Medical needles*	**88,516**	84,518	+4.7	**17.6**	19.0
- *Syringes*	**87,884**	77,627	+13.2	**17.4**	17.4
- *Blood bags*	**34,297**	29,846	+14.9	**6.8**	6.7
- *Pre-filled syringes*	**15,930**	15,059	+5.8	**3.2**	3.4
- *Blood sampling*	**12,920**	12,664	+2.0	**2.6**	2.8
- *Dental & anesthetic*	**6,138**	5,743	+6.9	**1.2**	1.3
- *Other consumables*	**20,356**	18,817	+8.2	**4.0**	4.2
Subtotal for consumables	**406,538**	354,740	+14.6	**80.6**	79.6
Orthopaedic	**37,698**	55,062	(31.5)	**7.5**	12.3
Blood purification consumable	**21,198**	8,238	+157.3	**4.2**	1.8
PVC granules	**21,584**	16,827	+28.3	**4.3**	3.8
Trading					
Medical instruments	**15,112**	9,346	+61.7	**3.0**	2.1
Other	**2,065**	1,694	+21.9	**0.4**	0.4
Total`	**504,195**	445,907	+13.1	**100.0**	100.0

Turnover Breakdown by Products

	For the 9 months ended 30 September			% to turnover	
	2009	2008	**Change**	**2009**	2008
Products	**RMB m**	RMB m	**%**		
Self-produced products					
Consumables					
- *Infusion sets*	**378,996**	277,307	+36.7	**27.5**	24.2
- *Medical needles*	**245,216**	185,390	+32.3	**17.8**	16.2
- *Syringes*	**242,672**	205,242	+18.2	**17.6**	17.9
- *Blood bags*	**99,963**	84,599	+18.2	**7.3**	7.4
- *Pre-filled syringes*	**49,021**	35,926	+36.4	**3.6**	3.1
- *Blood sampling*	**35,913**	31,157	+15.3	**2.6**	2.7
- *Dental & anesthetic*	**15,823**	14,388	+10.0	**1.1**	1.3
- *Other consumables*	**62,356**	52,602	+18.5	**4.5**	4.6
Subtotal for consumables	**1,129,960**	886,611	+27.4	**82.0**	77.5
Orthopaedic	**93,209**	136,418	(31.7)	**6.8**	11.9
Blood purification consumable	**47,349**	20,933	+126.2	**3.4**	1.8
PVC granules	**45,902**	56,730	(19.1)	**3.3**	5.0
Trading					
Medical instruments	**42,778**	30,530	+40.1	**3.1**	2.7
Other	**19,105**	12,470	+53.2	**1.4**	1.1
Total`	**1,378,303**	1,143,692	+20.5	**100.0**	100.0

Balance Sheet

	As at 30 Sep 2009 RMB m	As at 31 Sep 2008 RMB m	Change (%)
Non-current assets	**1,727.1**	**1,413.8**	+22.2
Current assets	**1,878.6**	**1,395.6**	+34.6
Cash and bank balances	**740.6**	**287.2**	+157.9
Capital and reserves	**2,827.3**	**1,596.2**	+77.1
Bank and other borrowing	**136.6**	**536.6**	(74.5)

Cost Analysis

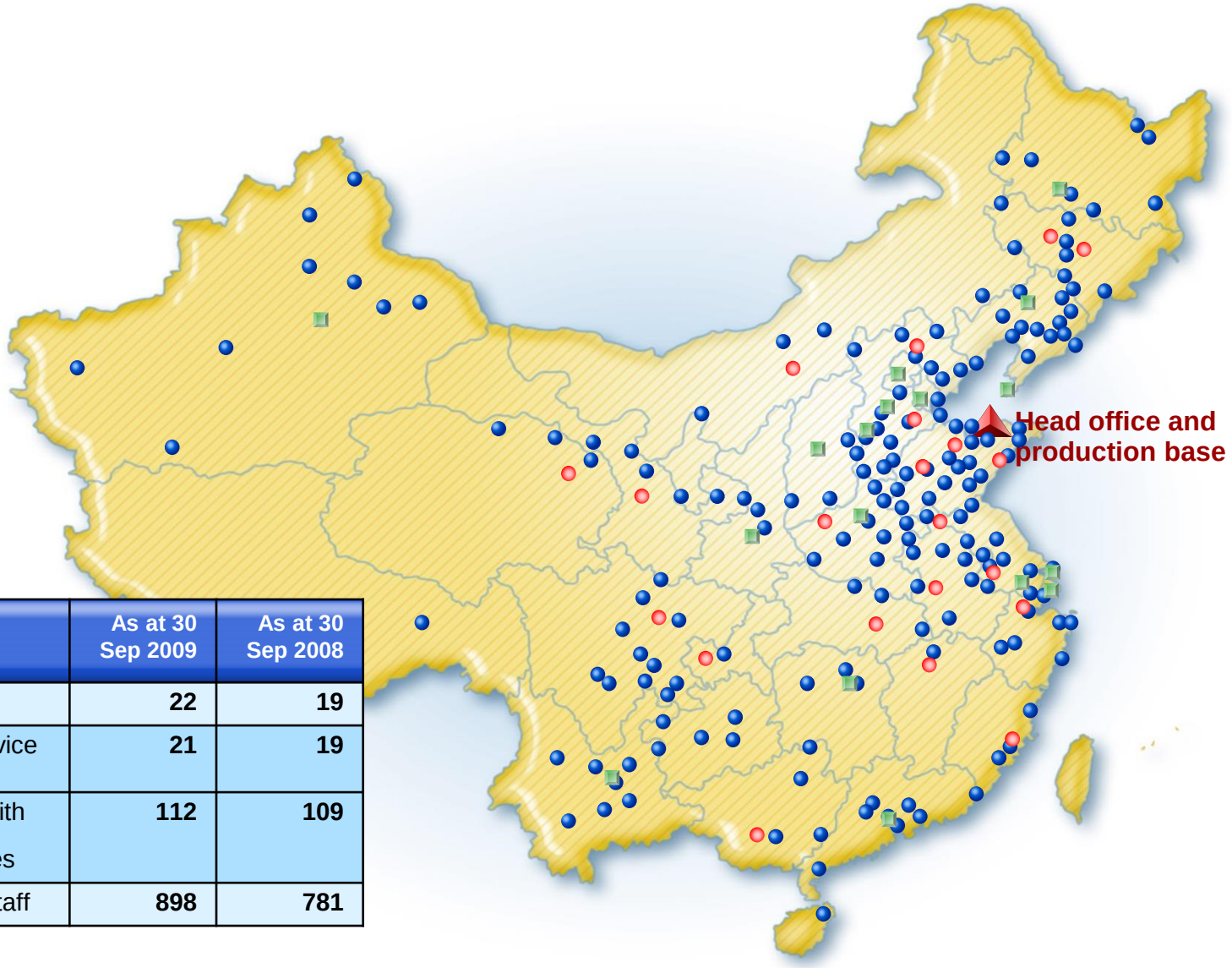
	For the 3 months ended 30 September			% to turnover	
	2009	2008	% change	**3Q2009**	**3Q2008**
	RMB m	RMB m			
Raw materials	**160.7**	154.8	+3.8	**31.9**	34.7
- PVC resins, PP and PE	**60.1**	59.1	+1.7	**11.9**	13.3
- Metal	**33.8**	31.5	+7.3	**6.7**	7.1
- Packaging	**20.0**	19.4	+3.1	**4.0**	4.4
- Others	**46.8**	44.8	+4.5	**9.3**	10.0
Staff costs	**31.1**	29.0	+7.2	**6.2**	6.5
Production cost	**52.1**	50.3	+3.6	**10.3**	11.3
Total COGS	**243.9**	234.1	+4.2	**48.4**	52.5
Other operating expenses	**119.9**	84.2	+42.4	**23.8**	24.6
- Distribution cost	**79.2**	59.7	+32.7	**15.7**	13.4
- Administration cost	**40.7**	24.5	+66.1	**8.1**	5.5
Total	**363.8**	318.3	+14.3	**72.2**	71.4

Cost Analysis

	For the 9 months ended 30 September			% to turnover	
	2009	2008	% change	**3Q2009**	**3Q2008**
	RMB m	RMB m			
Raw materials	**444.8**	388.9	+14.4	**32.3**	34.0
- PVC resins, PP and PE	**153.2**	140.1	+9.4	**11.1**	12.2
- Metal	**92.2**	77.2	+19.4	**6.7**	6.8
- Packaging	**58.5**	51.3	14.0	**4.2**	4.5
- Others	**140.9**	120.3	+17.1	**10.2**	10.5
Staff costs	**91.8**	79.9	+14.9	**6.7**	7.0
Production cost	**151.6**	136.0	+11.5	**11.0**	11.9
Total COGS	**688.2**	604.8	+13.8	**49.9**	52.9
Other operating expenses	**352.0**	243.8	+44.4	**25.5**	21.3
- Distribution cost	**229.5**	172.1	+33.4	**16.7**	15.0
- Administration cost	**122.5**	71.7	+70.9	**8.9**	6.3
Total	**1,040.2**	848.6	+22.6	**75.5**	74.2

Operational Review

Nationwide Sales Network



	As at 30 Sep 2009	As at 30 Sep 2008
Sales office	22	19
Customer service centre	21	19
No. of cities with sales representatives	112	109
No. of sales staff	898	781

Expanding Customer Base

	Total in China	No. of customers	Coverage
Hospitals			
• Top tier	1,186	962	81.1%
• Medium	6,608	1,636	24.8%
• Small	4,687	306	6.5%
• Other - Not rated	7,366	13	0%
Subtotal	19,847	2,917	14.7%
Blood centres	535	413	77.2%
Other medical units	888,021	649	0.07%
Distribution companies		1,063	
Total		5,042	

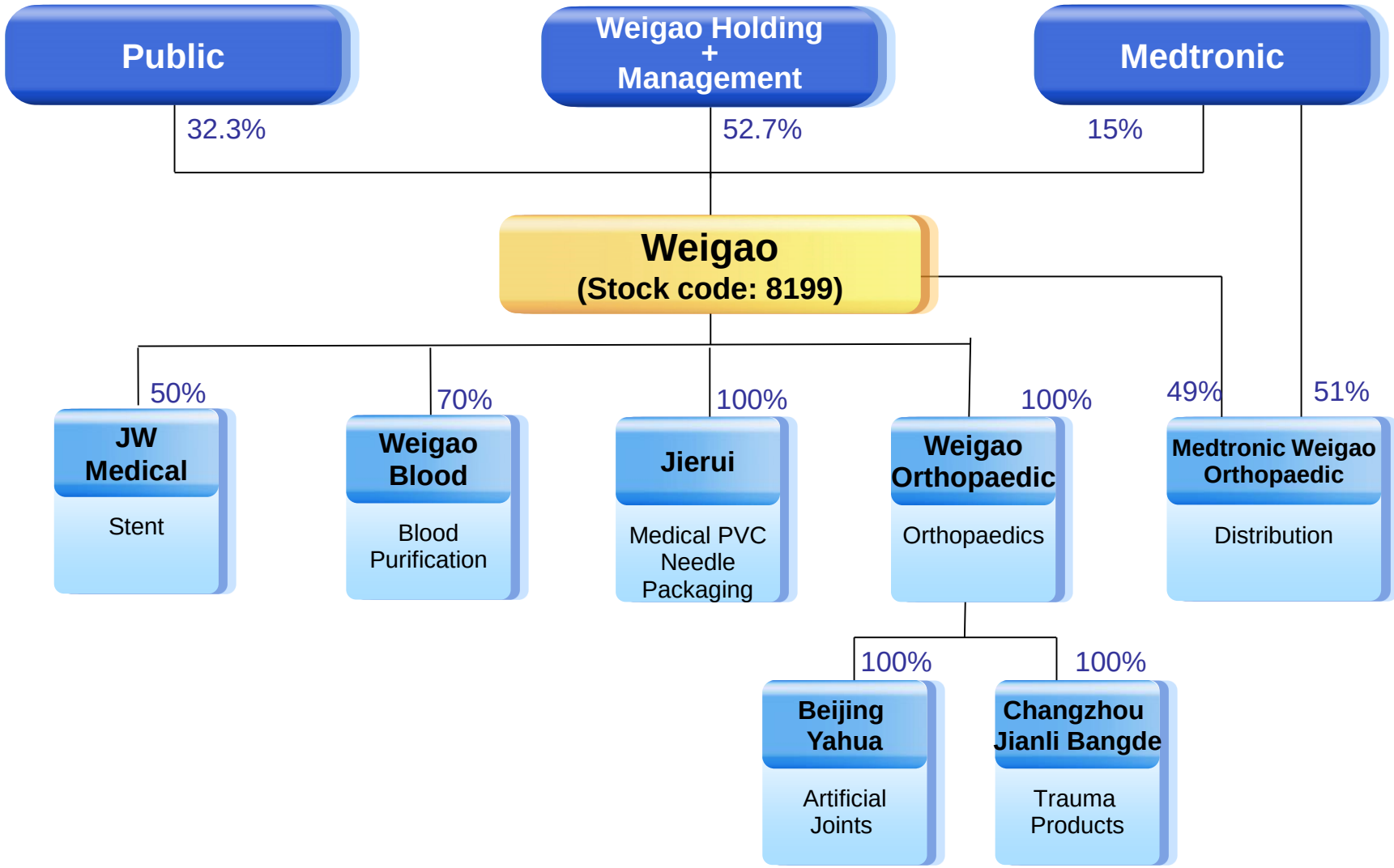
Strategies

Strategies

- Continue to consolidate position in the high-end market and focus on research and development and sale of high margin and high value single-use consumables to replace products of international medical device companies;
- Continue the mergers and acquisitions strategy to expand in the fast growing value segment market in the PRC;
- Continue to develop international market;
- Continue to seek international cooperation ; and
- Expand blood purification production for Weigao to be a major integrated supplier of dialyzer and related consumable in China.

Group Structure

Weigao Group Structure



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