山東威高集團醫用高分子製品股份有限公司

Shandong Weigao Group Medical Polymer Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8199)

Announcement of Interim Results for the six months ended 30 June 2008

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

SUMMARY

For the six months ended 30 June 2008, the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB697,785,000, representing an increase of approximately 48.2% over RMB470,724,000 for the corresponding period last year.

Unaudited net profit attributable to the shareholders for the six months ended 30 June 2008 was approximately RMB190,668,000, representing an increase of approximately 72.0% from approximately RMB110,851,000 for the corresponding period last year.

Shandong Weigao Orthopaedic Device Company Limited ("Weigao Orthopaedic"), a subsidiary of the Company, solidly expanded its market. For the six months ended 30 June 2008, the unaudited turnover of Weigao Orthopaedic was approximately RMB81,356,000, representing an increase of approximately 84.7% from approximately RMB44,049,000 for the corresponding period last year.

Market share of needle products of the Group grew rapidly and recorded a turnover of RMB100,872,000 during the period, representing an increase of approximately 109.6% over the corresponding period last year, contributed significantly to the Group's profits.

Consolidation of the Group's sales channels continued, with newly added 27 hospitals and 1 blood station. With the phasing out of distributors with weak competitiveness, customs of other medical units decreased by 23 and corporate customers was reduced by 38 compared with corresponding period last year. As at 30 June 2008, the Group has a customer base of 5,390.

The board of Directors (the "Board") recommended the distribution of an interim dividend of RMB0.057 per share for the six months ended 30 June 2008.

UNAUDITED CONSOLIDATED RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the three months and six months ended 30 June 2008, together with the comparative figures for the corresponding periods in 2007 as follows:

Condensed Consolidated Income Statement

		Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
		2008	2007	**2008**	2007
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	3	**697,785**	470,724	**394,777**	256,117
Cost of sales		**(370,689)**	(269,464)	**(208,907)**	(143,738)
Gross profit		**327,096**	201,260	**185,870**	112,379
Other income		**16,812**	14,766	**9,590**	8,573
Distribution costs		**(112,377)**	(73,594)	**(61,664)**	(39,190)
Administrative expenses		**(47,199)**	(33,653)	**(23,233)**	(17,207)
Finance costs	5	**(12,194)**	(11,544)	**(6,349)**	(6,019)
Share of results in a jointly controlled entity		**32,407**	24,637	**18,867**	15,962
Profit before taxation	6	**204,545**	121,872	**123,081**	74,498
Taxation	7	**(14,844)**	(2,639)	**(9,053)**	(1,624)
Profit for the year		**189,701**	119,233	**114,028**	72,874
Profit attributable to:					
Equity holders of the Company	8	**190,668**	110,851	**114,269**	66,881
Minority interests		**(967)**	8,382	**(241)**	5,993
		189,701	119,233	**114,028**	72,874
Dividends proposed	9	**56,747**	32,853	**56,747**	32,853
Earnings per Share (Basic)	10	**RMB0.192**	RMB0.114	**RMB0.115**	RMB0.068

Condensed Consolidated Balance Sheet

	Notes	Unaudited As at 30 June 2008 (Unaudited) *RMB'000*	Audited As at 31 December 2007 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment	11	**905,702**	816,046
Investment properties		**16,344**	16,641
Prepaid lease payments for land use rights	12	**86,753**	88,045
Intangible assets		**33,022**	30,191
Interest in a jointly controlled entity	13	**107,446**	75,039
Goodwill		**210,680**	28,934
Deferred income tax assets		**7,103**	6,656
		1,367,050	1,061,552
Current assets			
Inventories	14	**303,339**	248,939
Trade and other receivables	15	**564,870**	486,961
Pledged bank deposits	16	**87,014**	87,482
Bank balances and cash	17	**231,409**	255,572
		1,186,632	1,078,954

	Notes	*Unaudited* As at 30 June 2008 (Unaudited) *RMB'000*	*Audited* As at 31 December 2007 (Audited) *RMB'000*
Current liabilities			
Trade and other payables	18	**482,838**	410,187
Bank borrowings			
– repayable within one year	19	**111,502**	127,627
Derivative financial instrument		**2,497**	1,497
Tax liabilities		**15,379**	5,400
		612,216	544,711
Net current assets		**574,416**	534,243
		1,941,466	1,595,795
Capital and reserves			
Share capital	20	**99,556**	99,556
Reserves		**1,359,942**	1,228,206
Equity attributable to equity holders of the Company		**1,459,498**	1,327,762
Minority interests		**4,514**	57,233
Total equity		**1,464,012**	1,384,995
Non-current liabilities			
Bank borrowings			
– repayable after one year	19	**368,382**	210,800
Long-term payables		**109,072**	—
		1,941,466	1,595,795

Condensed Consolidated Cash-flow Statement

	Unaudited For the six months ended 30 June 2008 *RMB'000*	2007 *RMB'000*
Net cash generated from operating activities	**176,584**	97,879
Net cash used in investing activities	**(264,321)**	(95,725)
Net cash (outflow)/inflow before financing activities	**(87,737)**	2,154
Net cash inflow from financing activities	**63,574**	311,755
Net (decrease)/increase in cash and cash equivalents	**(24,163)**	313,909
Bank balances and cash as at beginning of the period	**255,572**	115,131
Bank balances and cash as at end of the period	**231,409**	429,040

Condensed Consolidated Statement of Changes in Equity

	Unaudited For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Balance as at 1 January	1,327,762	698,740
Net profit for the period	190,668	110,851
Dividend paid	(58,738)	(32,853)
Exchange profit/loss arising from foreign currency transactions	(194)	—
Share issue		
Share capital	—	3,000
Share premium	—	383,616
	—	386,616
Balance as at 30 June	1,459,498	1,163,354

Notes:

1. General

The Company was incorporated as a joint stock company with limited liability in 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 Company's H Shares have been listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 27 February 2004.

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

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

2. Basis of preparation and accounting policies

These unaudited condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), Accounting Principles Generally Accepted in Hong Kong, Hong Kong Financial Reporting Standards (the "HKFRS") and the relevant disclosure requirements of the GEM 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 unaudited consolidated financial statements are consistent with those used in the financial statements for the year ended 31 December 2007.

The Group has applied the new and amended Hong Kong Financial Reporting Standards (the "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2008. The application of the new HKFRSs had no material effect on the presentation of the results for the current accounting periods and/or previous accounting years. Therefore, no adjustment has been made for the prior 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 2008 have not been audited by the Company's auditor but have been reviewed by Audit Committee of the Company.

These condensed consolidated financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2007.

3. Revenue

Revenue represents the fair value of the consideration received and receivable for goods sold by the Group to external customers, less 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 and operates in the PRC.

Segment information about these businesses is presented below:

	For the six months ended 30 June 2008					For the six months ended 30 June 2007				
	Single use medical products	Orthopedic products	Other products	Eliminations	Total	Single use medical products	Orthopedic products	Other products	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue										
External sales	542,647	81,356	73,782	–	697,785	367,900	44,049	58,775	–	470,724
Inter-segment sales	–	–	25,490	(25,490)	–	–	–	24,393	(24,393)	–
	542,647	81,356	99,272	(25,490)	697,785	367,900	44,049	83,168	(24,393)	470,724
Segment results	162,652	44,165	6,163	1,739	214,719	100,814	24,135	2,717	–	127,666
Unallocated corporate expenses					(47,199)					(33,653)
Other income					16,812					14,766
Share of profit of jointly controlled entity					32,407					24,637
Finance costs					(12,194)					(11,544)
Profit before tax					204,545					121,872
Income tax expense					(14,844)					(2,639)
Profit for the period					189,701					119,233

5. Finance costs

Finance costs for the three months and six months ended 30 June 2008 were approximately RMB6,349,000 and RMB12,194,000 respectively (corresponding periods in 2007: approximately RMB6,019,000 and RMB11,544,000), which mainly included interest expenses for bank borrowings.

6. Profit before taxation

	Unaudited For the six months ended 30 June 2008 RMB'000	2007 RMB'000
Profit before taxation has been arrived at after charging (crediting) the following:		
Provisions for bad and doubtful debts	**3,087**	3,707
Amortisation of intangible assets (included in administrative expenses)	**1,557**	—
Depreciation of property, plant and equipment	**25,550**	23,780
Prepaid lease payments charged to the consolidated income statement	**1,292**	885
Rental payments in respect of premises under operating leases	**1,956**	1,859
Research and development expenditures	**26,288**	8,045
Cost of inventories recognized as expense	**370,689**	269,464
Staff costs, including directors' remuneration		
– Retirement benefits scheme contributions	**13,235**	11,046
– Wages and salaries	**70,318**	47,970
Total staff costs	**83,553**	59,016
(Gain) loss from foreign exchange, net	**(7,238)**	212
Loss (gain) on disposal of property, plant and equipment	**380**	(93)
Interest income	**(2,353)**	(271)
Rental income from investment properties	**(1,128)**	—
Rebate of value-added tax (Note)	**(13,968)**	(12,646)

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 was granted with an exemption to pay valued added tax the government of Weihai City effective from 1 May 1999 on the basis of "Payment first then rebate". Pursuant to Cai Shui Guo Fa 2007 No. 92 issued by the State Council, effective from 1 July 2007, the Tax Bureau implemented tax refunds on the VAT of Jierui Subsidiary actually paid based on the number of disability emplyed by Jierui Subsidary and the refund limited for every employee was disability was based on six times of the local lowest standard wages approved by Weihai People's Government, and the annual refund of each employee with disability shall be subject to a maximum of RMB35,000.

7. Taxation

No provision for Hong Kong and overseas profit tax has been made as no taxable profit has been derived from Weigao International Medical Company Limited and Weigao Medical (Europe) Company Limited, the Group's overseas branches.

PRC income tax is calculated based on the taxable amount, which is obtained by making corresponding adjustments to the accounting income for the current year based on the relevant requirements under the PRC Tax Law.

The Company was recognised as a "High and New Technology Enterprise". In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", the Company was subject to income tax rate of 15%. Commencing from 1 July 2004, the Company was entitled to an exemption from PRC income tax for the two years starting from its first profit-making year, followed by a 50% tax relief for the next three years. The Company commenced tis first profit making year in 2004. The tax charges provided for the year ended 2007 and the six months ended 30 June 2008 were made after taking these tax incentives into account.

In accordance with the "Notice of Recognition of Jierui Subsidiary as a Social Welfare Entity" issued by the Civil Administration Bureau of the Shandong Province, and pursuant to Cai Shui Guo Fa 2007 No. 92 issued by the State Council, Jierui Subsidiary was recognised as a "Social Welfare Entity" and was exempted from the PRC income tax commencing from the date of recognition as Social Welfare Entity to 30 June 2007. Jierui Subsidiary should be subject to the PRC income tax at statutory rates from 1 July 2007, but the total wages paid to the employee with disabilities employed were further allowed to be deducted from the taxable profits of Jierui Subsidiary, while VAT rebates would be deducted from the PRC income tax. Jierui Subsidiary was also confirmed as a "High and New Technology Enterprise", and pursuant to the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", Jierui Subidiary was subject to income tax at a tax rate of 15%. The tax charges provided for the periods ended 2007 year and ended 30 June 2008 were made after taking these tax incentives into account.

山東威高骨科材料有限公司 (Shandong Weigao Orthopaedic Device Company Limited) ("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 starting 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 2004. Weigao Orthopaedic was recognised as a "High and New Technology Enterprise". In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", Weigao Orthopaedic was subject to income tax at a rate of 15%.

威海威高血液淨化製品有限公司 (Weihai Weigao Blood Purified Product Co., Ltd.) ("Weigao Blood") was recognised as a "High and New Technology Enterprise". In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", Weigao Blood was subject to income tax at a rate of 15%.

Taxations for other subsidiaries are calculated at a tax rate of 25%.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the Chairman of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued"Implementation Regulations of the Enterprise Income Tax Law of the PRC". The New Law and the Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. Article 57 stipulates that enterprises approved for establishment prior to the announcement of the New Law are subject to the provisions of the tax law and regulations then prevailing and enjoy preferential low tax rates. Pursuant to the State Council provisions, such enterprises may transit to the tax rate under the regime of the New Law within 5 years after implementation of the New Law. For those enjoying fixed period of tax exemption and preferential tax rates, pursuant to the State Council provisions, may continue to enjoy the preferential tax treatment until expiry after the implementation of the New Law. However, the preferential period for unutilized preferential treatment due to the absence of profits shall run from the year of implementation of the New Law.

8. Profit attributable to equity holders of the Company

For the three months and six months ended 30 June 2008, net profit attributable to equity holders of the Group were approximately RMB114,269,000 and RMB190,668,000 (Corresponding period in 2007: RMB66,881,000 and RMB110,851,000) respectively.

9. Dividend

	2008	2007
	RMB'000	*RMB'000*
Dividend confirmed to be distributed during the period:		
Final dividend paid in 2007 RMB0.059 per share (2006: RMB0.033 per share)	**58,738**	32,853
Interim dividend proposed, RMB0.057 per share (2007: RMB0.034 per share)	**56,747**	32,849

The Board recommended an interim dividend of RMB0.057 per share for the six months ended 30 June 2008 (Corresponding period in 2007: RMB0.034). The proposed dividend is not presented as a dividend payable but will be presented as an appropriation of retained profits for the period ended 30 June 2008.

10. Earnings per share

For the three months and six months ended 30 June 2008, basic earnings per share were calculated based on profits attributable to equity holders of the Company of approximately RMB114,269,000 and RMB190,668,000 (Corresponding period in 2007: RMB66,881,000 and RMB110,851,000) respectively, and on the weighted average total number of 995,560,000 shares and 995,560,000 shares (Corresponding period in 2007: 985,560,000 shares and 975,560,000 shares) respectively.

Diluted earnings per share is not presented, as no potential ordinary shares were outstanding for the three months and six months ended 30 June 2008.

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							
At 1 January 2007	43,512	337,821	248,091	15,803	8,341	38,191	691,759
Additions	256,495	2,781	5,493	3,029	2,924	3,870	274,592
Acquired on acquisition of subsidiaries	8,191	1,025	3,973	714	—	207	14,110
Transfer	(35,818)	1,649	32,009	195	—	1,965	—
Transfer to investment properties	—	(18,715)	—	—	—	—	(18,715)
Disposals	—	(202)	(129)	(2,140)	—	(122)	(2,593)
At 31 December 2007	272,380	324,359	289,437	17,601	11,265	44,111	959,153
Additions	114,223	—	3,434	619	202	84	120,636
Transfer	(124,578)	84,395	34,289	3,287	1,238	1,369	—
Transfer to investment properties	—	(2,074)	—	—	—	—	(2,074)
Disposals	—	—	(4,948)	(998)	—	(307)	(6,253)
At 30 June 2008	262,025	408,754	322,212	20,509	12,705	45,257	1,071,462
Depreciation							
At 1 January 2007	—	31,741	40,085	5,730	3,445	18,845	99,846
Provided for the year	—	10,488	25,460	2,907	3,476	4,752	47,083
Eliminated on transfer to investment properties	—	(2,074)	—	—	—	—	(2,074)
Eliminated on disposals	—	(34)	(76)	(1,597)	—	(41)	(1,748)
At 31 December 2007	—	40,121	65,469	7,040	6,921	23,556	143,107
Provided for the period	—	5,757	13,266	1,610	2,222	2,695	25,550
Eliminated on disposals	—	—	(2,225)	(502)	—	(170)	(2,897)
At 30 June 2008	—	45,878	76,510	8,148	9,143	26,081	165,760
Net book values							
At 30 June 2008	262,025	362,876	245,702	12,361	3,562	19,176	905,702
At 31 December 2007	272,380	284,238	223,968	10,561	4,344	20,555	816,046

12. Prepaid lease payments

	As at 30 June 2008 *(Unaudited)* *RMB'000*	As at 31 December 2007 *(Audited)* *RMB'000*
The Group's prepaid lease payments comprise:		
Leasehold land in PRC		
Medium-term lease	89,337	90,629
Analysed for reporting purposes as:		
Current portion (included in trade and other receivables)	2,584	2,584
Non-current portion	86,753	88,045
	89,337	90,629

13. Interest in a jointly controlled entity

Details of the Group's jointly controlled entity as at 30 June 2008 are as follows:

	The Group	
	As at 30 June 2008 *(Unaudited)* *RMB'000*	As at 31 December 2007 *(Audited)* *RMB'000*
Unlisted equity investment, at cost	13,000	13,000
Share of net assets	94,446	62,039
	107,446	75,039

Name	Form of business structure	Place of incorporation or registration/ operation	Class of Shares held	Attributable equity interest directly held by the Company	Principal activities
Shandong JW Medical Products Co., Ltd.	Incorporated	PRC	Registered Capital	50%	Production and sales of drug eluting stents

14. Inventories

	As at 30 June 2008 *(Unaudited)* *RMB'000*	As at 31 December 2007 *(Audited)* *RMB'000*
At cost:		
Raw materials	**147,391**	122,861
Finished goods	**155,948**	126,078
	303,339	248,939

Increase in inventories of raw materials and finished goods were mainly due to the increase in inventory level to ensure sufficient supply for the increasing demand of the Group's products of intravenous catheters, pre-filled syringes and orthopaedics products.

15. Trade and other receivables

	The Group	
	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
0 to 90 days	313,921	237,205
91 to 180 days	93,860	90,835
181 to 365 days	50,323	48,537
Over 365 days	18,827	17,227
Trade receivables	476,931	393,804
Bills receivable	2,705	7,239
Other receivables, deposits and prepayments	85,234	85,918
	564,870	486,961

16. Pledged bank deposits

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group. The amounts have been pledged to secure short-term bank loans and banking facilities and are therefore classified as current assets. The deposits carry fixed interest rates of 0.7% to 3.3% (2007: 0.7%) per annum.

17. 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 interest rate for those deposits was 0.7% (2007: 0.7%) per annum. The fair value of the bank deposits at 30 June 2008 approximated to their corresponding carrying amounts.

18. Trade and other payables

	The Group	
	As at 30 June 2008	As at 31 December 2007
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
0 to 90 days	**122,146**	90,239
91 to 180 days	**39,766**	11,125
181 to 365 days	**4,574**	4,346
Over 365 days	**5,495**	9,479
Trade payables	**171,981**	115,189
Bills payable	**186,851**	159,530
Other payables and accrued expenses	**124,006**	135,468
	482,838	410,187

19. Bank borrowings

	The Group	
	As at 30 June 2008	As at 31 December 2007
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Secured bank borrowings	**266,684**	109,227
Unsecured bank borrowings	**213,200**	229,200
	479,884	338,427
The maturity of the above bank borrowings are as follows:		
On demand or within one year	**111,502**	127,627
More than one year but not exceeding two years	**368,382**	210,800
	479,884	338,427
Less: Amount due within one year presented under current liabilities	**(111,502)**	(127,627)
Amount due after one year	**368,382**	210,800

20. Share capital

	Nominal value of shares *RMB*	Number of domestic shares	Number of H shares	Total number of shares	Value *RMB'000*
As at 31 December 2006	0.1 per share	648,160,000	317,400,000	965,560,000	96,556
Issue of H shares *(Note)*	0.1 per share	—	30,000,000	30,000,000	3,000
As at 31 December 2007 and as at 30 June 2008	0.1 per share	648,160,000	347,400,000	995,560,000	99,556

Note: On 19 April 2007, the Company issued 30,000,000 H Shares of RMB0.1 each at HK$13.62 per share by way of placing.

21. Movements in reserves

	Share capital RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 (Note b)	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
THE GROUP						
As at 31 December 2006	96,556	233,752	70,326	—	298,106	698,740
Issue of H shares	3,000	384,820	—	—	—	387,820
Profit for the year and total revenue recognised	—	—	—	—	308,149	308,149
Exchange losses arising from foreign currency transactions	—	—	—	(244)		(244)
Dividend paid	—	—	—	—	(66,703)	(66,703)
Distributions	—	—	40,891	—	(40,891)	—
As at 31 December 2007	99,556	618,572	111,217	(244)	498,661	1,327,762
Profit for the year and total revenue recognised	—	—	—	—	190,668	190,668
Exchange losses arising from foreign currency transactions	—	—	—	(194)	—	(194)
Dividend paid	—	—	—	—	(58,738)	(58,738)
As at 30 June 2008	99,556	618,572	111,217	(438)	630,591	1,459,498

Notes:

(a) Bases for appropriation to reserves

Appropriation to statutory surplus reserve and statutory public welfare fund have been calculated based on the net profits in the financial statement prepared under the Generally Accepted Accounting Principles of the PRC ("PRC GAAP").

(b) Statutory surplus reserve

The Articles of Association of the companies under the Group (other than Weigao International Medical Company Limited ("Weigao International")) requires that 10% of the profit after taxation should be transferred to the statutory surplus reserve in accordance with the PRC GAAP, until it has reached 50% of the registered capital. Pursuant to the Articles of Association 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 capitalisation, and for the expansion of the Company's production and operation scope. In the event of conversion of the statutory surplus reserve into share capital by way of capitalisation, it should not result in the balance of the capital to be less than 25% of the registered capital.

(c) Statutory public welfare fund

According to the Company laws and regulations of PRC and the amended Articles of Association of the Company, from 1 January 2006, the companies under the Group ceased to transfer from statutory public welfare fund. As at 31 December 2005, the statutory public welfare fund was part of the share capital of the shareholders, which cannot be distributed other than for the purpose of liquidation. Pursuant to the resolution of the Board of Directors, 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, distributable profit of the Company was determined at the lower of such amount calculated based on the accounting principles and regulations of the PRC or the generally accepted accounting principles of Hong Kong. As at 30 June 2008, retained earnings distributable to shareholders was approximately RMB205,574,000.

MANAGEMENT DISCUSSION AND ANALYSIS

International Collaboration

The Group is dedicated to become a leading manufacturer of medical devices in Asia.

During the period, the Group achieved significant progress regarding collaboration with international corporations.

(1) On 18 December 2007, the Company signed an agreement with Medtronic Inc. ("Medtronic") in relation to the issue of 80,721,081 new H Shares by the Company to Medtronic, and the sale of 80,721,081 existing Domestic Shares by Weigao Holding and management shareholders to Medtronic, each representing 7.5% of the Company's enlarged share capital, and in aggregate representing 15% of the Company's enlarged share capital.

    On 18 December 2007, the Company signed an agreement with Medtronic in relation to the establishment of a distribution joint venture for the distribution of orthopaedic products in the PRC. The distribution joint venture will be held as to 49% by the Company and 51% by Medtronic.

    On 20 March 2008, the Company and Medtronic agreed on the agreed forms of certain distribution joint venture documentations, pursuant to which the Company and Medtronic agreed on the forms of the equity transfer contract for the 100% equity interest in Weigao Orthopaedic and for the 49% equity interest in the distribution joint venture. As at the date of this announcement, government approvals and business registration have been obtained for the establishment of the joint venture.

Medtronic is a global leader in medical technology. The Directors are of the view that with Medtronic as a strategic shareholder, it will strengthen the Company's management and operational skills, and enhance the recognition of the Company in the global market. With Medtronic's brandname and technologically advanced spinal product portfolio, and coupled with Weigao Orthopaedic's extensive product portfolio in spinal, trauma and artificial joints, advanced manufacturing capabilities, strong sales network in the PRC and good customer relationship, the complementary strengths of the joint venture and Weigao Orthopaedic place them in excellent market positions to capture opportunities in the fast growing orthopaedic industry in China.

(2) On 9 January 2008, the Company and Biosensors International Group Limited ("Biosensors International") entered into a sale and purchase agreement, pursuant to which Biosensors International agreed to purchase and the Company agreed to sell 30% equity interest in JW Medical Systems Limited ("JW Medical"). The consideration for the sale of 30% equity interest in JW Medical shall consist of the issuance to the Company of 120 million new ordinary shares of Biosensors International. In addition, Biosensors International also agreed to grant to the Company a put option in respect of its remaining 20% equity interest in JW Medical. Pursuant to the put option agreement, the consideration for the sale of 20% equity interest of JW Medical by the Company to Biosensors International, shall consist of the issuance to the Company of 40 million new ordinary shares of Biosensors International. The put option shall expire on 30 July 2009. The Directors are of the view that Biosensors International is a leader in innovative technology in drug eluting stent market. By leveraging the technology of Biosensors International, the Company targets to become the leader in drug eluting stents business in the Asia Pacific region.

Currently, the shares swap agreement is awaiting the approval from the PRC government authorities. If government approvals are not obtained by 30 September 2008, the Company will negotiate with Biosensors International for other ways of potential strategic collaborations to promote mutual development.

These international collaborations will further expand the Group's businesses, strengthen its research and development capabilities. They also lay a solid foundation for the Group to become a leader in the medical device industry in Asia by leveraging on the Group's advantages in customers' resources and manufacturing capabilities in the PRC market. The Group will also capitalise on the opportunities of the international collaborations, to strengthen its management concept and methods, operating system, human resources, technology application, products portfolio and market positioning, and to enhance the core competitiveness of the Group.

Optimization Adjustments to Product Mix

During the period, the Group continued the strategy in improving the product mix and increase in capital expenditure. The Group focused on the business development of orthopaedic products, blood purification products and increased the marketing and sales effort on high value-added products such as intravenous catheters, high-end infusion sets, safety auto disable syringes, and phased out the production of some low value-added products. The achievement was remarkable.

During the period, Weigao Orthopaedic, a subsidiary of the Company, achieved solid market expansion. For the six months ended 30 June 2008, Weigao Orthopaedic recorded a turnover of RMB81,356,000, representing an increase of 84.7% over RMB44,049,000 in the corresponding period of last year.

On 18 December 2007, the Company acquired 22% and 25% equity interests in Weigao Orthopaedic from Weihai Fumaite Trading Company ("Fumaite") and Howell (Hong Kong) Limited ("Howell") at a consideration of RMB110,000,000 and RMB125,000,000 respectively, increasing the shareholding control of the Company in Weigao Orthopaedic. As at the date of this announcement, the acquisitions have been completed.

During the period, the orthopaedic artificial joint production line invested by 北京亞華 (Beijing Yahua), a subsidiary of Weigao Orthopaedic, has commenced production.

The plasma segregator of Weigao Blood has been launched to the market, and turnover during the period has recorded a remarkable growth of 110.0% over the corresponding period last year. Application for product registrations for lavage set and recombinant protein adsorption column are in progress. In 2007, Weigao Blood invested approximately RMB105,780,000 to purchase a polymer membrane dialysis device production line. It is anticipated that the production line will be put into operation in the fourth quarter of 2008.

Production and sales of drug-eluting stents by JW Medical, which is 50% held by the Company, continue to grow rapidly. During the period, the attributable profit of JW Medical to the Group amounted to RMB32,407,000, representing an increase of 31.5% over the corresponding period of last year.

The needle products, including intravenous catheter of the Group have demonstrated a strong growth potentials. During the period, the Group increased its efforts in the marketing and sales of needle products, driving continues strong sale growth of needle products. The Group recorded a remarkable turnover of needle products of approximately RMB100,872,000, representing an increase of 109.6% compared with the corresponding period of last year. The Directors believe that needle products will become an important area for the continued development of Weigao.

Market development for specialised infusion set with specified dosage control device and infusion sets made of proprietary thermoplastic elastomers ("TPE"), a non PVC based material of the Group has made significant progress during the period, driving the sales of the Group's infusion sets to increase by 44.0% over the corresponding period of last year. With market competition that phasing out poor quality products, the Group's advantage position in high end infusion set market is further strenghtened.

During the period, the Group invested in and introduced glass tube production line for pre-filled syringes and the trial production has been successful. Pre-filled syringes are extensively used in vaccination and package injection drugs with good development prospects in the PRC. Currently, the glass tube materials used for the production of pre-filled syringes in the market rely on import. The operation of the production line has eased the raw material supply bottleneck for the Group's pre-filled syringes products and has also enhanced the Group's profitability. During the period, turnover of pre-filled syringes recorded by the Group amounted to approximately RMB20,867,000, representing an increase of 101.6% over the corresponding period of last year.

During the period under review, the Group benefited from the adjustments to the product mix and the effect has been remarkable. The percentage of turnover from high value-added products (gross profit margins of over 60%) to the total turnover of the Group increased to 43.1% (2007: 32.4%), the effect of the adjustments has been remarkable. The Directors believe that with the enhancement in the Group's capabilities in research and development, manufacturing and marketing, the percentage of turnover derived from high value-added products will be further increased to over 50% in the future.

Research and Development

For the six months ended 30 June 2008, the Group obtained 8 new patents and is applying for 13 new patents. Product registration certificates for 16 new products were obtained and their research and development were completed. Application for registration for 23 newly developed products are underway. By placing strong emphasis on research and development, it enhances the Group's competitiveness and allows the Group to leverage on its customer base and provides the Group with new growth drivers.

As at 30 June 2008, the Group has over 170 product registration certificates and over 120 patents, of which 11 are patents on invention.

During the period, the Company and Changchun Institute of Applied Chemistry of Chinese Academy of Sciences jointly developed polylactide acid bio-degradable based single-use syringe, which is a new product both in the PRC and overseas markets. It also improves on the current disposable syringes made of durable materials which will cause environmental pollution and the problem of cross-contamination. Lower cost of polylactic also enhances competitiveness.

In view of the strategic adjustments to product mix, the Group continued to increase investments in the research and development in a number of areas, so as to further upgrade products and expand product range, the Group continued to maintain its leading position in its research and development capability in the PRC. For the six months ended 30 June 2008, the total research and development expenses amounted to approximately RMB26,288,000 (2007: RMB8,045,000), representing 3.77% of the total turnover of the Group.

Production

For the six months ended 30 June 2008, production volume of the Group's products as compared with the corresponding period in 2007 were as follows:

		For the six months ended 30 June		
Product Type	Measurement Unit	2008	2007	Increase/ decrease
Infusion (Transfusion) sets	1,000 sets	**149,271**	116,917	27.7%
Transfusion consumables	1,000 sets	**9,090**	7,362	23.5%
Syringes	1,000 sets	**270,150**	224,950	20.1%
Needle products	1,000 sets	**1,041,062**	867,150	20.1%
Dental and anesthetic products	1,000 sets	**1,025**	882	16.2%
Pre-filled syringes	1,000 sets	**7,700**	3,760	104.8%
Blood sampling products	1,000 sets	**67,950**	38,690	75.6%
Orthopaedic products	1,000 pieces	**1,540**	373	312.8%
PVC granules	Tons	**5,830**	6,155	(5.3)%
Others	1,000 pieces	**60,750**	44,982	35.1%

During the period, the Group implemented strategic adjustment to the product mix, increased the proportion of high value-added products production, phased out the production of low valued added products with low profitability, thus enhancing profit contribution and ultimately increasing the overall profitability of the Group.

Production of orthopaedic products increased significantly as compared with the corresponding period of last year. It was mainly driven by the increase in the sales of orthopaedic products and the production volume of orthopaedic surgery devices.

Marketing and Sales

The trademark of "Jierui" of the Group was accredited as "China Top Brand" by China Promotion Committee, thereby making the Group to become the first enterprise in the medical device industry in the PRC to possess both "China Reputable Brand" and "China Top Brand" at the same time.

The Group continued to integrate its sales channels and adjust the product mix and the results have been remarkable.

During the period, the Group strengthened its sales management system, strengthened developing direct sales customers, integrated customers resources and phased out low profitability customers. For the six months ended 30 June 2008, the Group has newly secured new customers of 27 hospitals and 1 blood station. The Group transferred a number of community medical units to be covered by distributors and some distributors of less competitive are being phased out or merged and become the second tier distributors, thereby reducing other medical units by 23 and corporate customers by 38. As at the date of the announcement, the Group has a customer base of 5,390 (including 2,832 hospitals, 413 blood stations, 674 other medical units and 1,471 trading companies).

Comparison of the sales by geographical areas over the corresponding period in the previous year is set out as follows:

Region	Revenue by geographical segments 2008		2007		Growth
	RMB'000	%	*RMB'000*	%	%
Eastern and Central	**239,062**	**34.3**	162,153	34.4	47.4
Northern	**171,839**	**24.6**	110,509	23.5	55.5
Northeast	**102,099**	**14.6**	70,582	15.0	44.7
Southern	**78,777**	**11.3**	52,738	11.2	49.4
Southwest	**56,188**	**8.1**	31,300	6.7	79.5
Northwest	**23,725**	**3.4**	18,565	3.9	27.8
Overseas	**26,095**	**3.7**	24,877	5.3	4.9
Total	**697,785**	**100.0**	470,724	100.0	48.2

Integration of channels has strengthened the Group's market penetration in high-end direct sales customers. It enhanced contribution by customers and reduced selling expenses. The average turnover of single customer increased by approximately 50.1% over the corresponding period of last year, at the same time, reduced selling expenses.

Adjustment in product mix is another important factor in enhancing the results for the period. During the period, the Group focused on the sale and marketing of high value-added products such as orthopaedic products, needle products, pre-filled syringes and high-end infusion sets. It has significantly increased the proportion of sales generated from high value-added products. Comparison of the sales of the principal products with that of the previous period is set out as follows:

Product category	For the six months ended 30 June 2008 *RMB'000*	 2007 *RMB'000*	Growth %
Self-produced products			
Consumables			
– Infusion sets	**166,841**	115,890	44.0%
– Syringes	**127,615**	101,205	26.1%
– Medical needles	**100,872**	48,127	109.6%
– Blood bags	**54,753**	45,452	20.5%
– Pre-filled syringes	**20,867**	10,350	101.6%
– Blood sampling products	**18,493**	10,130	82.6%
– Dental and anesthetic products	**8,645**	6,087	42.0%
– Other consumables	**33,785**	27,803	21.5%
Sub-total for consumables	**531,871**	365,044	45.7%
Orthopaedic products	**81,356**	44,049	84.7%
Blood purification consumables	**12,695**	6,046	110.0%
PVC granules	**39,903**	37,415	6.6%
Trading			
– Medical equipment	**21,184**	15,314	38.3%
– Other products	**10,776**	2,856	277.3%
Total	**697,785**	470,724	48.2%

HUMAN RESOURCES

As at 30 June 2008, the Group employed a total of 6,281 employees. Breakdown by departments is as follows:

Departments	Number of employees
Research and development	324
Sales and marketing	781
Production	4,766
Purchasing	23
Quality control	111
Management	60
Finance and administration	216

During the period, the Group increased further resources in research and development and recruited 113 employees in research and development department to strengthen the Group's competitiveness in research and development.

During the period, in order to expand the production capacities in consumables and orthopaedic products; and to consolidate the Group's leading position in the single-use consumable market in the PRC, the Group implemented internationalization strategy and increased the number of production workers by 709 compared with the beginning of the period.

Save as the qualified accountant and the company secretary, who reside in Hong Kong, all employees of the Group reside in the PRC. For the six months ended 30 June 2008, total amount of staff salaries, welfare and various funds amounted to approximately RMB83,553,000.

FINANCIAL REVIEW

FINANCIAL SUMMARY

During the reporting period, the Group recorded significant growth in both turnover and net profit attributable to shareholders.

For the six months ended 30 June 2008, unaudited turnover and net profits recorded by the Group were approximately RMB697,785,000 and RMB190,668,000 respectively, representing a growth of 48.2% and 72.0% as compared with approximately RMB470,724,000 and RMB110,851,000 in the corresponding period of 2007 respectively. The significant growth in turnover and profit was mainly due to the adjustments to the business and product mix, enhancement in the operation efficiency and efforts in exploring new businesses.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position for the six months ended 30 June 2008. As at 30 June 2008, the Group had a total cash balance of approximately RMB231,409,000.

During the period, the Group obtained additional bank borrowings of approximately RMB270,857,000 and repaid bank borrowings of approximately RMB129,400,000. As at 30 June 2008, the total amount of short-term loans was approximately RMB111,502,000 and the total amount of long-term loans was approximately RMB368,382,000.

Total interest expense of the Group during the period was approximately RMB12,194,000.

GEARING RATIO

As at 30 June 2008, the Group's gearing ratio was 0.17, calculated on the basis of the Group's total borrowings (after deducting cash and bank balances) to the total equity attributable to shareholders (Total net cash in corresponding period in 2007 was RMB76,040,000). Change in the ratio was mainly due to the increase in the Group's investment in expanded businesses.

FOREIGN EXCHANGE RISKS

The Group's purchases and sales are mainly conducted in the PRC. Its assets, liabilities and transactions are mainly denominated in RMB. During the period, the Group has not encountered any material difficulty due to currency fluctuation nor shortage of operating funds. For the six months ended 30 June 2008, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

At the beginning of the year, the Company obtained an additional long-term loan from the International Finance Corporation, a member of World Bank Group in the amount of US$20 million. Due to the change in exchange rates, foreign exchange gain equivalent to RMB7,238,000 for the period ended 30 June 2008 was recognised.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2008.

MATERIAL INVESTMENTS AND FUTURE MATERIAL INVESTMENT PLANS

On 18 December 2007, the Company acquired 22% and 25% equity interests in Weigao Orthopaedic from Weihai Fumaite Trading Company and Howell (Hong Kong) Limited at a consideration of RMB110,000,000 and RMB125,000,000 respectively to consolidate the control of the Company's interest in Weigao Orthopaedic. As at the date of this announcement, an amount of approximately RMB11,500,000 has been paid and acquisition has been completed in accordance with contract requirements.

As at the date of this announcement, the joint venture company between the Company and Medtronic in orthopaedic distribution has been approved by the PRC government. Operation permit, industrial and commercial business license were also obtained. The transactions regarding the investment by Medtronic in 7.5% of the Company's enlarged H Shares and the transfer of 7.5% of domestic shares on enlarged basis are still pending for approval. The Directors expect the transactions are to be completed by the fourth quarter in 2008.

Save for the above material investment plans, the Group has no material capital commitments or any plans of significant investments or capital assets in the near future as at 30 June 2008, and there are no material acquisition and disposal in any other subsidiary and associate during the period.

CAPITAL COMMITMENTS

As at 30 June 2008, the capital commitments of the Group contracted but not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB100,589,000, including the outstanding amount in respect of the acquisition of polymer membrane dialyser production line. The amounts will be paid by the Group out of the proceeds from the issue of new shares and internal resources of the Group.

OUTLOOK

During the period under review, the global macro economy fluctuated, inflation intensified, and crude oil price experienced record high, major commodity prices such as steel and plastic increased substantially in around May and June. Increase in raw materials costs has aggravated the operation difficulties in the industry, and a number of small to medium enterprises in the industry have been in the state of suspension or semi-suspension during the review period. It caused general shortage of supply of conventional consumables in the market. Facing such situation, the Company fully leveraged its advantages of diversification of products types and specification, and actively promoted adjustments in product mix. The Company increased sales in intravenous catheters, micro-dosage, light-proof, TPE high-end infusion set products, and high margin products, such as plastic blood sampling tubes, safety syringes and reduced the production of conventional infusion sets during the review period. While ensuring basic market supplies, the Company has successfully transferred the rising raw material costs. The Company continued to place substantial efforts in advertising of products and actively promoted adjustments in product mix. The Group will continue to consolidate the leading position in the industry of high value-added consumables and lay a solid foundation for further adjustments in product mix.

Looking ahead, the Directors expect that with an increase in awareness in healthcare and demand in medical treatment, it will drive the rapid growth of the single-use medical devices in the PRC. At the same time, the Directors anticipate that process of reforms of the medical system in the PRC will continue and intensify, presenting opportunities in regulated operation and fair competition base to the market. With high raw material prices, the Directors expect that tight supplies in conventional consumables will continue in the market in the second half of the year, and some domestic manufacturers of conventional consumable will be in the state of thin profit or incur losses, thus will further aggravate the shortage of supplies in the industry and create conditions for industrial consolidation. At the same time, with the tightening in regulation on product registration and production facilities by the medical registration authorities, it provides further protection to the industry and raises the entry barrier to the industry. When the internal and external conditions are favorable, and with the support of strong capital base and quality management, the Group will take advantage of the opportunities in consolidating the market.

With the changes in the market, it creates both opportunities and challenges. The Directors consider that the second half of the year will be a key period in the Group's development. With the successful completion of the tasks set in the first half of the year, it will be an important business breakthrough to the product mix adjustments. When external conditions are favorable for industry integration, the management of Company will continue to adopt active and enthusiastic attitude to promote product mix adjustments. In the second half of the year, the Company will focus on the following:

1. Focusing on research and development and sale of high margin and high value single-use consumables to replace products of international medical device companies, and to position the Group to become a leading supplier of high-end consumables in the PRC;

2. With the right external and internal conditions and through detailed investigations and studies, to expand the production capacity of conventional consumable by merger and acquisition so as to expand the business particularly in the fast growing county-level medical device market in the PRC, and to position the Group to become a leader of single use consumables supplier and to better serve the PRC market;

3. Actively seeking for strategic collaboration with overseas major medical supplies companies for hospitals to create win-win situation, expanding Weigao's branded products for export, and expanding the market share in single-use consumables in overseas markets;

4. Actively cooperating with Medtronic in the orthopaedic sector, so as to enable Weigao Orthopaedic and the future distribution joint venture to become the major suppliers in the orthopaedic device market in the PRC, and improving in design, and manufacturing capability in the orthopaedic instrument so as to compete in the global orthopaedic instrument market;

5. Ensuring a smooth trial production of the imported production line for dialyser products, gradually expand the production capacity for dialyser products paving the way for Weigao to become a major integrated supplier of dialysis related consumables in the PRC;

6. Enhancing recruitment and training, retaining professional, educated and young management team, so as to provide management supports for the industry consolidation.

The Board has full confidence on the future development. The Group will continue to strengthen its professional management team. By leveraging the Group's in-depth understanding in the local market, application of advanced technology and the innovative operating concept of the management, the Group and its employees are full of confidence in facing new challenges.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Statement of use of proceeds as set out in the announcement regarding 2007 placing

	Project	Actual business progress as at 30 June 2008
1	Approximately RMB98,820,000 for purchase of production machinery and equipment for orthopaedic products	Actual investments RMB98,820,000
2	Approximately RMB49,410,000 for purchase of production machinery and equipment for blood purification products	Actual investments RMB49,410,000
3	Approximately RMB49,410,000 for expansion of production capacity of consumable products	Actual investments RMB49,410,000
4	Approximately RMB132,913,000 to be used as general working capital	Actual investments RMB132,913,000

DIVIDEND

The Board recommended to distribute an interim dividend of RMB0.057 per share, or a total of approximately RMB56,747,000 for the six months ended 30 June 2008. Dividends payable to shareholders in the PRC will be paid in RMB, and dividends payable to holders of H Shares will be paid in Hong Kong dollars. The proposal is subject to approval by shareholders at the extraordinary general meeting to be held on Thursday, 9 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the company will be closed from 9 September 2008 to 9 October 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend and the attendence of the extraordinary general meeting of the Company, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 8 September 2008. Dividend warrants will be despatched on or before 3 November 2008 to shareholders whose names appear on the Company's register of members on 9 October 2008.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND LONG POSITIONS IN SHARES

As at 30 June 2008, the interests of Directors and their associates in the share capital of the Company or any of its associated corporations as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, 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	Capacity	Total number of Domestic Shares	Approximate percentage of the issued share capital of the Company
Mr. Zhang Hua Wei	Beneficial owner	10,800,000	1.08%
Mr. Miao Yan Guo	Beneficial owner	7,800,000	0.78%
Mr. Wang Yi	Beneficial owner	7,800,000	0.78%
Mrs. Zhou Shu Hua	Beneficial owner	5,100,000	0.51%
Mr. Wang Zhi Fan	Beneficial owner	2,700,000	0.27%
Mr. Wu Chuan Ming	Beneficial owner	2,400,000	0.24%

In addition, Mr. Chen Lin, son of Mr. Chen Xue Li is holder of the Company's 23,400,000 Domestic Shares, representing 2.35% 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 registered capital	Approximate percentage of the registered capital of Weigao Holding
Mr. Chen Xue Li	Beneficial owner	36,600,000	30.00%
Mr. Zhang Hua Wei	Beneficial owner	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%

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

SUBSTANTIAL SHAREHOLDER

As at 30 June 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO recorded that other than the interests disclosed above in respect of certain Directors, the following shareholder had notified the Company of relevant interest in the issued share capital of the Company.

Name of shareholder	Capacity	Number of Domestic Shares	Approximate percentage of the Company's issued share capital
Weigao Holding	Beneficial owner	578,160,000	58.07%

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 shareholders	Number of shares interested	Percentage of issued H share capital
Atlantis Investment Management Ltd	80,000,000 (L)	23.03 (L)
FIL Limited	27,854,000 (L)	8.02 (L)
Martin Currie China Hedge Fund Limited	18,856,000 (L)	5.94 (L)
New-Alliance Asset Management (Asia) Limited	18,692,000 (L)	5.89 (L)
DnB NOR Asset Management (Asia) Limited	18,277,000 (L)	5.26 (L)
JP Morgan Chase & Co.	17,930,100 (L)	5.16 (L)
	17,930,100 (P)	5.16 (P)
Martin Currie (Holdings) Limited	17,652,000 (L)	5.08 (L)
Genesis Asset Managers, LLP	17,571,000 (L)	5.06 (L)
UBS AG	15,917,000 (L)	5.01 (L)

Major Customers and Suppliers

For the six months ended 30 June 2008, the largest supplier of the Group and the next four largest suppliers accounted for about 8.3% and 20.9% 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.

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

Except for the commencement of dealings in the H shares of the Company on GEM on 27 February 2004, the placing of 52,900,000 new H Shares of the Company on 30 November 2005 and placing of 30,000,000 new H shares of the Company on 19 April 2007, the Company and its subsidiaries did not purchase, sell or redeem any listed shares of the Company.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard of corporate governance. The Board considers that this is the commitment necessary to balance the interests among the shareholders, customers and the employees, as well as maintaining accountability and transparency.

The Board considers that the Company has complied with all the provisions as set out in the Code on Corporate Governance Practices in Appendix 15 of the GEM Listing Rules during the period.

AUDIT COMMITTEE

The Company has set up an Audit Committee (the "Committee") on 1 September 2002 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Company. The Committee comprises Messrs. Luan Jian Ping, Mr. Shi Huan, Mr. Lau Wai Kit, Mr. Li Jia Miao, being independent non-executive Directors and Mrs. Zhou Shu Hua, a non-executive Director. Mr. Lau Wai Kit is the chairman of the Committee.

The Company's financial statements for the six months ended 30 June 2008 have been reviewed by the Committee. The Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and other laws, and disclosures have been made in full.

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.

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, as at 30 June 2008, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates has an interest in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

CODE OF MODEL CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2008, the Company had adopted the code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all Directors and the Company was not aware of any noncompliance with the required standard of dealings and the model code of conduct regarding securities transactions by Directors.

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

Weihai, Shandong, 12 August 2008

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

This announcement will remain on the "Latest Company Announcement" page of the GEM website at http://www.hkgem.com for at least 7 days from its date of publication.

* *For identification purposes only*