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)

2009 Interim Report

* For identification purposes only

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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 Stock 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 report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

For the six months ended 30 June 2009 (the "Period"), the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB874,108,000, representing an increase of 25.3% over RMB697,785,000 for the same period last year.

Unaudited net profit attributable to the shareholders for the Period was approximately RMB 257,635,000, representing an increase of approximately 35.1% from approximately RMB 190,668,000 for the same period last year.

During the Period, the Group continued the strategy in improving product mix and focusing on developing the blood purification business, increasing the sales and marketing effort on high valued-added products such as intravenous catheters, high-end infusion sets, safety auto-disable syringes. The result was remarkable.

During the Period, (1) turnover of single use consumables continued to grow rapidly and reached approximately RMB723,422,000, representing an increase of 36.0% compared with the same period last year; (2) turnover of orthopaedic business was approximately RMB55,511,000, representing a decrease of 31.8% compared with the same period last year due to the effect of transfer pricing following the establishment of the joint venture company ("Distribution Joint Venture") with a wholly owned subsidiary of Medtronic, Inc. ("Medtronic"). The attributable profit of the Distribution Joint Venture to the Group was approximately RMB 9,459,000 for the Period; (3) turnover of blood purification business was approximately RMB 26,151,000, representing an increase of 106.0% over the same period last year; and (4) attributable profit of the stent business to the Group was approximately RMB 46,495,000 , representing an increase of 43.5% compared with the same period last year.

The board of Directors (the "Board") recommended the distribution of an interim dividend of RMB0.072 per share for the six months ended 30 June 2009.

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 2009, together with the comparative figures for the same periods in 2008 as follows:

Condensed Consolidated Income Statement

		Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
		2009	2008	2009	2008
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3	874,108	697,785	479,854	394,777
Cost of sales		444,308	(370,689)	239,582	(208,907)
Gross profit		429,800	327,096	240,272	185,870
Other income		31,454	16,812	15,033	9,590
Distribution costs		(150,289)	(112,377)	(75,985)	(61,664)
Administrative expenses		(81,779)	(47,199)	(39,141)	(23,233)
Finance costs	5	(2,527)	(12,194)	(1,285)	(6,349)
Share of profit in a jointly controlled entity		46,495	32,407	24,371	18,867
Share of profit of an associate		9,459	—	3,038	—
Profit before taxation	6	282,613	204,545	166,303	123,081
Income tax expense	7	(26,872)	(14,844)	(15,180)	(9,053)
Profit for the year		255,741	189,701	151,123	114,028
Attributable to:					
Equity holders of the Company	8	257,635	190,668	152,032	114,269
Minority interests		(1,894)	(967)	(909)	(241)
		255,741	189,701	151,123	114,028
Dividends proposed	9	77,492	56,747	77,492	56,747
Earnings per Share (Basic)	10	RMB0.239	RMB0.192	RMB0.141	RMB0.115

Condensed Consolidated Balance Sheet

	Notes	Unaudited As at 30 June 2009 (Unaudited) *RMB'000*	Audited As at 31 December 2008 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment	11	1,129,324	922,475
Investment properties		15,814	16,090
Prepaid lease payments for land use rights	12	129,090	130,844
Intangible assets		25,519	27,077
Interest in a jointly controlled entity	13	177,515	131,020
Interest in an associate	14	34,598	14,070
Goodwill		202,899	202,900
Deferred tax assets		8,320	7,867
		1,723,079	1,452,343
Current assets			
Inventories	15	310,163	292,118
Trade and other receivables	16	706,562	690,766
Pledged bank deposits	17	41,460	75,020
Bank balances and cash	18	709,891	830,419
		1,768,076	1,888,323

	Notes	Unaudited As at 30 June 2009 (Unaudited) *RMB'000*	Audited As at 31 December 2008 (Audited) *RMB'000*
Current liabilities			
Trade and other payables	19	**649,661**	646,944
Bank borrowings			
– repayable within one year	20	**—**	1,716
Tax payable		**17,959**	31,665
		667,620	680,325
Net current assets		**1,100,456**	1,207,998
		2,823,535	2,660,341
Capital and reserves			
Share capital	21	**107,628**	107,628
Reserves	22	**2,533,231**	2,369,104
Equity attributable to equity holders of the Company		**2,640,859**	2,476,732
Minority interests		**6,297**	8,191
Total equity		**2,647,156**	2,484,923
Non-current liabilities			
Borrowings			
– repayable after one year	20	**136,638**	136,692
Other payable		**39,741**	38,726
		176,379	175,418
		2,823,535	2,660,341

Condensed Consolidated Cash-flow Statement

	Unaudited For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Net cash generated from operating activities	181,159	176,584
Net cash used in investing activities	(203,936)	(264,321)
Net cash (outflow)/inflow before financing activities	(22,777)	(87,737)
Net cash inflow from financing activities	(97,879)	63,574
Net (decrease)/increase in cash and cash equivalents	(120,656)	(24,163)
Bank balances and cash as at beginning of the period	830,419	255,572
Effect of foreign exchange rate changes, net	128	—
Bank balances and cash as at end of the period	709,891	231,409

Condensed Consolidated Statement of Changes in Equity

	Unaudited For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Balance as at 1 January	2,476,732	1,327,762
Net profit for the period	257,635	190,668
Dividend paid	(93,636)	(58,738)
Exchange profit/loss arising from foreign currency transactions	128	(194)
Balance as at 30 June	2,640,859	1,459,498

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 2008.

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 adoption of the new HKFRSs had no material effect to the presentation of the results for the current accounting periods 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 2009 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 2008.

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.

For management purposes, the Group is currently organized into three operating divisions: single use medical products, orthopaedic products and other products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Single use medical products	—	production and sale of single use consumables such as infusion sets, syringes, blood transfusion sets and blood bags
Orthopaedic products	—	Production and sale of orthopaedic products
Other products	—	production and sale of other products such as blood purification consumables, medical equipment and medical PVC granules

	For the six months ended 30 June 2009					For the six months ended 30 June 2008				
	Single use consumables	Orthopedic products	Other products	Eliminations	Total	Single use consumables	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	740,462	55,511	78,135	–	874,108	542,647	81,356	73,782	–	697,785
Inter-segment sales	–	–	31,114	(31,114)	–	–	–	25,490	(25,490)	–
	740,462	55,511	109,249	(31,114)	874,108	542,647	81,356	99,272	(25,490)	697,785
Segment results	253,850	19,900	14,159	(8,398)	279,511	166,130	44,165	6,163	(1,739)	214,719
Unallocated corporate expenses					(81,779)					(47,199)
Other income					31,454					16,812
Share of profit of jointly controlled entity					46,495					32,407
Share of profit of an associate					9,459					–
Finance costs					(2,527)					(12,194)
Profit before tax					282,613					204,545
Income tax expense					(26,872)					(14,844)
Profit for the period					255,741					189,701

5. Finance costs

Finance costs for the three months and six months ended 30 June 2009 were approximately RMB1,285,000 and RMB2,527,000 respectively (same period in 2008: approximately RMB6,349,000 and RMB12,194,000), which mainly included interest expenses on bank borrowings.

6. Profit before taxation

Profit before taxation has been arrived at after charging (crediting) the following:

	Unaudited For the six months ended 30 June	
	2009 *RMB'000*	2008 *RMB'000*
Provisions for bad debts	3,549	3,087
Amortisation of intangible assets (included in administrative expenses)	1,557	1,557
Depreciation of property, plant and equipment	29,108	25,274
Depreciation of investment properties	276	276
Prepaid lease payments charged to the consolidated income statement	1,754	1,292
Rental payments in respect of premises under operating leases	2,038	1,956
Research and development expenditure	38,005	26,288
Cost of inventory recognized as expenses	444,308	370,689
Staff costs, including directors' remuneration		
– Retirement benefits scheme contribution	24,087	13,235
– Wages and salaries	88,309	70,318
Total staff costs	112,396	83,553
(Gain) loss from foreign exchange, net	1,022	(7,238)
Loss (gain) on disposal of property, plant and equipment	(11)	380
Interest income	(3,060)	(2,353)
Rental income from investment properties	(1,128)	(1,128)
Rebate of value-added tax (Note)	(16,788)	(13,968)
Realizing gain from establishing an associate	(11,069)	—

Note: 威海潔瑞醫用製品有限公司 (Weihai Jierui Medical Products Company Limited) ("Jierui Subsidiary") was recognized as a "Social Welfare Entity". Pursuant to Guo Fa 2007 No 92 issued by the State Council, with effect from 1 July 2007, Jierui Subsidiary is 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 valued added tax is exempted from the PRC income tax and the refund limit for every employee with 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, Jierui Subsidiary is subject to income tax at a rate of 15%.

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 recognized 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 its first profit making year in 2004. The tax charges provided for the year ended 2008 and the six months ended 30 June 2009 were made after taking these tax incentives into account.

Jierui Subsidiary was recognized as a Social Welfare Entity". Pursuant to Guo Fa 2007 No.92 issued by the State Coucil, 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 exempted from the PRC income tax. Jierui Subsidiary and the rebate of value added tax is exempted from the PRC income tax. Jierui Subsidiary is subject to income tax at a rate of 15%. The tax charge provided for the six months ended 30 June 2009 was 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 wholly owned subsidiary if the Company 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 2006. Weigao Orthopaedic was recognized 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 recognized 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 President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law". 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, companies 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 2009, net profit attributable to equity holders of the Group were approximately RMB152,032,000 and RMB257,635,000 (same periods in 2008: RMB114,269,000 and RMB190,668,000) respectively.

9. Dividend

	As at 30 June 2009 RMB'000	As at 30 June 2008 RMB'000
Dividend confirmed to be distributed during the period:		
Final dividend paid in 2008 RMB0.087 per share (2007: RMB0.059 per share)	93,636	58,738
Interim dividend proposed, RMB0.072 per share (2008: RMB0.057 per share)	77,492	56,747

The Board recommended an interim dividend of RMB0.072 per share for the six months ended 30 June 2009 (same period in 2008: RMB0.057). 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 2009.

10. Earnings per share

For the three months and six months ended 30 June 2009, basic earnings per share were calculated based on profits attributable to equity holders of the Company of approximately RMB152,032,000 and RMB257,635,000 (same periods in 2008: RMB114,269,000 and RMB190,668,000) respectively, and on the weighted average total number of 1,076,281,000 shares and 1,076,281,000 shares (same period in 2008: 995,560,000 shares and 995,560,000 shares) respectively.

No diluted earnings per share is presented for the six months ended 30 June 2009, as no potential ordinary shares were outstanding for the three months and six months ended 30 June 2009.

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 2008	272,380	324,359	289,437	17,601	11,265	44,111	959,153
Additions	173,945	105	18,767	8,280	139	6,081	207,317
Transfer	(219,033)	117,148	57,650	904	—	2,917	(40,414)
Disposals	—	—	(4,824)	(1,136)	—	(1,584)	(7,544)
At 30 June 2008	227,292	441,612	361,030	25,649	11,404	51,525	1,118,512
Additions	209,559	1,333	12,733	5,047	3,527	5,183	237,382
Transfer	(97,055)	79,697	17,358	—	—	—	—
Disposals	—	—	(1,818)	(601)	—	(361)	(2,780)
At 30 June 2009	339,796	522,642	389,303	30,095	14,931	56,347	1,353,114
Depreciation							
At 1 January 2008	—	40,121	65,469	7,040	6,921	23,556	143,107
Provided for the period	—	11,901	28,701	4,260	3,892	7,832	56,586
Eliminated on disposals	—	—	(2,106)	(629)	—	(921)	(3,656)
At 30 June 2008	—	52,022	92,064	10,671	10,813	30,467	196,037
Provided for the year	—	5,321	17,878	2,070	1,742	2,097	29,108
Eliminated on transfer to investment properties	—	—	(815)	(236)	—	(304)	(1,355)
Eliminated on disposals							
At 30 June 2009	—	57,343	109,127	12,505	12,555	32,260	223,790
Net book values							
At 31 December 2009	339,796	465,299	280,176	17,590	2,376	24,087	1,129,324
At 30 June 2008	227,292	389,590	268,966	14,978	591	21,058	922,475

12. Prepaid lease payments

Prepaid lease payments	As at 30 June 2009 (Unaudited) *RMB'000*	As at 31 December 2008 (Audited) *RMB'000*
The Group's prepaid lease payments comprise:		
Leasehold land in PRC		
Medium-term lease	132,599	134,353
Analyzed for reporting purposes as:		
Current portion (included in trade and other receivables)	3,509	3,509
Non-current portion	129,090	130,844
	132,599	134,353

13. Interest in a jointly controlled entity

	The Group	
	As at 30 June 2009 (Unaudited) *RMB'000*	As at 31 December 2008 (Audited) *RMB'000*
Unlisted equity investment, at cost	13,000	13,000
Share of net assets	164,515	118,020
	177,515	131,020

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. Interests in an associate

	The Group	
	As at 30 June 2009 (Unaudited) *RMB'000*	As at 31 December 2008 (Audited) *RMB'000*
Realised gain arising from establishing of an associate	25,827	14,758
Share of post-acquisition profit	17,851	8,448
Unrealised profit on sales to an associate	(9,080)	(9,136)
	34,598	14,070

Name	Form of business structure	Place of incorporation or registration/ operation	Proportion of nominal value of registered capital held by the Group	Principal activities
Medtronic Weigao Orthopaedic Device Company Limited	Incorporated	PRC	49%	Sale and distribution of orthopaedic medical device products in the PRC

15. Inventories

	As at 30 June 2009 (Unaudited) *RMB'000*	As at 31 December 2008 (Audited) *RMB'000*
At cost:		
Raw materials	140,300	136,681
Finished goods	169,863	155,437
	310,163	292,118

16. Trade and other receivables

	The Group	
	As at 30 June 2009 (Unaudited) *RMB'000*	As at 31 December 2008 (Audited) *RMB'000*
0 to 90 days	352,462	330,972
91 to 180 days	106,815	121,040
181 to 365 days	80,787	73,640
Over 365 days	32,668	32,729
Trade receivables	572,732	558,381
Bills receivable	42,371	45,926
Other receivables, deposits and prepayments	91,459	86,459
	706,562	690,766

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 short-term bank loans and banking facilities and are therefore classified as current assets. The deposits carry fixed interest rates ranged between 0.36% and 1.98% (2008: ranged between 0.7% to 3.3%) per annum.

18. Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with maturity of three months or less. The maximum interest rate for those deposits was 0.36% (2008: 0.7%) per annum. The fair value of the bank deposits at 30 June 2009 approximated to their corresponding carrying amounts.

19. Trade and other payables

	The Group	
	As at 30 June 2009 (Unaudited) *RMB'000*	As at 31 December 2008 (Audited) *RMB'000*
0 to 90 days	214,905	210,354
91 to 180 days	20,791	21,980
181 to 365 days	8,505	3,008
Over 365 days	7,187	7,270
Trade payables	251,388	242,612
Bills payable	156,688	171,356
Other payables and accrued expenses	241,585	232,976
	649,661	646,944

20. Bank borrowings

	The Group	
	As at 30 June 2009 (Unaudited) *RMB'000*	As at 31 December 2008 (Audited) *RMB'000*
Secured bank borrowings	136,638	138,408
	136,638	138,408
The maturity of the above bank borrowings are as follows:		
On demand or within one year	—	1,716
More than one year but not exceeding two years	22,773	22,782
More than two years but not exceeding five years	68,319	68,346
More than five years	45,546	45,564
	136,638	138,408
Less: Amount due within one year presented under current liabilities	—	(1,716)
Amount due after one year	136,638	136,692

21. Share capital

	Nominal value of shares *RMB*	Number of non-listed shares	Number of H shares	Total number of shares	Value *RMB'000*
As at 30 June 2008	0.1 per share	648,160,000	347,400,000	995,560,000	99,556
Issue of H Shares (Note)	0.1 per share	—	80,721,081	80,721,081	8,072
As at 31 December 2008 and 30 June 2009	0.1 per share	648,160,000	428,121,081	1,076,281,081	107,628

Note: On 18 December 2008, the Company issued 80,721,081 H shares of RMB0.10 each at HK$11.138 per share to Medtronic Holding Switzerland GmBH.

22. 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 1 January 2008	99,556	618,572	111,217	(244)	498,661	1,327,762
Profit for the year and total revenue recognized	—	—	—	—	482,394	482,394
Shares issued	8,072	774,598	—	—	—	782,670
Dividend paid	—	—	—	—	(115,485)	(115,485)
Exchange losses arising from foreign currency transaction	—	—	—	(609)	—	(609)
As at 31 December 2008	107,628	1,393,170	111,217	(853)	865,570	2,476,732
Profit for the year and total revenue recognized	—	—	—	—	257,635	257,635
Dividend paid	—	—	—	—	(93,636)	(93,636)
Exchange losses arising from foreign currency transaction	—	—	—	128	—	128
As at 30 June 2009	107,628	1,393,170	111,217	(725)	1,029,569	2,640,859

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 capitalization, 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 capitalization, 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 2009, retained earnings distributable to shareholders was approximately RMB317,090,000.

International Collaboration

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

Since the year end of 2008, Medtronic holds 15% of the enlarged issued share capital of the Company. In the third quarter of 2008, Medtronic and Weigao established the Distribution Joint Venture in the PRC to distribute orthopaedic products.

As at the date of this report, the operation of the Distribution Joint Venture is gradually moving on track. With the need to adopt a unified management philosophy and mode of operation from the two parties, setting product standardization and customer requirements, frequently engaged in discussions between the management teams from both parties in integration has to certain extent had an impact on developing markets and raising operating costs. During the Period, Distribution Joint Venture made an inventory provision of RMB 13 million which has major negative impact on its results. However, it is believed that those provision may not result in full actual loss. With the sale of inventory from opening balances, part of the provision will be subsequently reversed. For the six months ended 30 June 2009, profit attributable to the Group was approximately RMB9,459,000.

During the Period, both parties were working closely on trial production and producing samples under original equipment manufacturing ("OEM"). Through continuous discussions between the management and working teams from both parties, the OEM business is gradually being developed.

At the early stage of collaboration, the profit attributable from orthopaedic business to the Group decreased by 34.3% compared with the same period last year. However, the management from both parties firmly believe in the long term benefit from the collaboration and to strive for the long term win win situation for both parties.

Working with Medtronic is the first step of the Group in international strategic collaboration. The Group continues to strengthen the co-ordination and communications to bring the value in strategic collaboration to fruition. With the experience gained from the business collaboration, it provides guidance to the Group to exploit other potential business collaboration opportunities in future.

Optimization Adjustments to Product Mix

During the Period, the Group continued the strategy in improving product mix. Focusing on the developing blood purification business, increasing the marketing and sales effort on high value-added products such as intravenous catheters, high-end infusion sets, safety auto disable syringes. The result was remarkable.

During the Period, affected by the transfer pricing adjustment made after the establishment of the Distribution Joint Venture, Weigao Orthopaedic recorded a turnover of RMB55,511,000, representing a decrease of 31.8% compared with RMB81,356,000 in the same period last year.

The new production line of Weigao Blood is operating smoothly. For the six months ended 30 June 2009, Weigao Blood achieved a turnover of approximately RMB 26,151,000, representing a significant growth of 106.0% over the same period last year. By the period ended 30 June 2009, it had completed a steady trial production of new dialyzer products. Significant growth is expected in the year ahead.

The operation in production and sales of drug-eluting stents by JW Medical, which is 50% held by the Company were doing well during the quarter. During the Period, the attributable profit of JW Medical to the Group amounted to RMB46,495,000, representing an increase of 43.5% over the same period last year.

The Group's intravenous catheter has strong growth potentials. During the Period, the Group increased its efforts in the marketing and sales of needle products, driving continues strong sale growth. The Group recorded a remarkable turnover of needle products of approximately RMB156,700,000, representing an increase of 55.3% compared with the same period last year. The Directors believe that needle products will become an important area for the continued development.

Significant progress has made on market development for Group's specialized infusion set with specified dosage control device and infusion sets made of non-PVC based material. During the Period, it drove the sales of the Group's infusion sets to increase by 42.9% over the same period last year. With market competition where good quality products replacing low quality products, the Group's high end infusion set further strengthened the Group's advantageous position in market.

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 injectable unit-dosage with good development prospects in the PRC. The operation of the glass tube production line has eased the raw material supply bottleneck relieving the Group from reliance on import and has also enhanced the Group's profitability. During the Period, turnover of pre-filled syringes amounted to approximately RMB33,091,000, representing an increase of 58.6% over the same period last year.

During the Period, the percentage of turnover from high value-added products (gross profit margins of over 60%) to the total turnover of the Group was 40.9% (2008: 43.1%). The decrease was mainly due to the transfer pricing arrangement after the establishment of the Distribution Joint Venture. Manufacturing of orthopaedic products has a gross profit margin of less than 60% and is no longer categorized as high value-added products.

Research and Development

For the six months ended 30 June 2009, the Group obtained 10 new patents and is applying for 25 new patents. Product registration certificates for 5 new products were obtained. Research and development for 34 new products were completed and applications for product registration 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 2009, the Group has over 160 product registration certificates and over 150 patents, of which 13 are patents on invention.

In view of the strategic adjustments to product mix, the Group continued to increase investments in the research and development in existing product lines and also in new medical devices to further expand its product lines offerings and to maintain the Group's leading position in research and development capability. For the six months ended 30 June 2009, the total research and development expenses amounted to approximately RMB38,005,000 (2008: RMB26,288,000), representing 4.3% of the total turnover of the Group. The significant increase in research and development expenses was mainly due to the more stringent requirements of the standards on clinical trial and the increase in products types of the Group undergoing clinical trial. The Group also increased the number of research staff for product development preparing for the commercialization of newly developed products. With the raising in the standards in clinical trial, it increases the entry barrier maintaining an orderly competitive landscape which is beneficial for the long term development of the market.

Production

For the six months ended 30 June 2009, production volume of the Group's products as compared with the same period in 2008 were as follows:

	For the six months ended 30 June			
Product Type	Measurement Unit	2009	2008	Increase/ decrease
Infusion sets	1,000 sets	**154,911**	149,271	3.8%
Needle products	1,000 sets	**1,072,347**	1,041,062	3.0%
Syringes	1,000 sets	**302,277**	270,150	11.9%
Blood bags	1,000 sets	**9,591**	9,090	5.5%
Pre-filled syringes	1,000 sets	**12,590**	7,700	63.5%
Blood sampling products	1,000 sets	**75,260**	67,950	10.8%
Dental and anesthetic products	1,000 sets	**1,211**	1,025	18.1%
Orthopaedic products	1,000 pieces	**1,290**	1,540	(16.2)%
PVC granules	Tons	**5,945**	5,830	2.0%
Others	1,000 pieces	**86,448**	60,750	42.3%

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 2009, the Group has newly secured new customers of 16 hospitals, 1 blood station and 3 medical units. Some distributors with less competitiveness are being phased out or merged and become the second tier distributors, thereby reducing corporate customers by 34. As at the date of the report, the Group has a customer base of 5,039 (including 2,907 hospitals, 414 blood stations, 653 other medical units and 1,065 trading companies).

Comparison of the sales by geographical areas over the same period last year is set out as follows:

Revenue by geographical segments
For the six months ended 30 June

Region	2009		2008		Growth
	RMB'000	*%*	*RMB'000*	*%*	*%*
Eastern and Central	318,922	36.5	239,062	34.3	33.4
Northern	214,902	24.6	171,839	24.6	25.1
Northeast	121,333	13.9	102,099	14.6	18.8
Southern	88,942	10.2	78,777	11.3	12.9
Southwest	65,724	7.5	56,188	8.1	17.0
Northwest	27,573	3.2	23,725	3.4	16.2
Overseas	36,712	4.1	26,095	3.7	40.7
Total	874,108	100.0	697,785	100.0	25.3

Integration of channels has strengthened the Group's market penetration in and influence over high-end direct sales customers. It enhanced sale contribution per customers and reduced in selling expenses. The average sales per customer increased by approximately 27.9% over the same period last year.

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 needle products 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:

	For the six months ended 30 June		
Product category	2009	2008	Growth
	RMB'000	*RMB'000*	%
Self-produced products			
Consumables			
– Infusion sets	238,499	166,841	42.9%
– Medical needles	156,700	100,872	55.3%
– Syringes	154,788	127,615	21.3%
– Blood bags	65,666	54,753	19.9%
– Pre-filled syringes	33,091	20,867	58.6%
– Blood sampling products	22,993	18,493	24.3%
– Dental and anesthetic products	9,685	8,645	12.0%
– Other consumables	42,000	33,785	24.3%
Sub-total for consumables	723,422	531,871	36.0%
Orthopaedic products *(Note 1)*	55,511	81,356	(31.8)%
Blood purification consumables	26,151	12,695	106.0%
PVC granules *(Note 2)*	24,318	39,903	(39.1)%
Trading			
– Medical equipment	27,666	21,184	30.6%
– Other products	17,040	10,776	58.1%
Total	874,108	697,785	25.3%

Note 1: Sales of orthopaedic products has decreased due to the transfer pricing arrangement after the establishment of the Distribution Joint Venture

Note 2: Sales of PVC granules has decreased due to increase in internal consumption of PVC for production of single use consumables

HUMAN RESOURCES

As at 30 June 2009, the Group employed a total of 6,927 employees. Breakdown by departments is as follows:

Departments	Number of employees
Production	4,968
Sales and marketing	813
Research and development	701
Finance and administration	229
Quality control	124
Management	64
Purchasing	28
Total	6,927

During the Period, save as the two employees (including the company secretary) who reside in Hong Kong, all employees of the Group reside in the PRC. For the six months ended 30 June 2009, total amount of staff salaries, welfare and various funds amounted to approximately RMB112,396,000.

FINANCIAL REVIEW

FINANCIAL SUMMARY

During the Period, the Group recorded continuous growth in both turnover and net profit attributable to shareholders.

For the six months ended 30 June 2009, unaudited turnover and net profits were approximately RMB874,108,000 and RMB257,635,000 respectively, representing a growth of 25.3% and 35.1% as compared with approximately RMB697,785,000 and RMB190,668,000 in the same period in 2008 respectively. The growth in turnover and profit was mainly due to the adjustments to the product mix, raising operating efficiency and development of new product line.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position for the six months ended 30 June 2009. As at 30 June 2009, the Group had a total cash balance of approximately RMB709,891,000.

During the Period, the Group repaid all domestic bank borrowings of approximately RMB1,716,000. As at 30 June 2009, save as borrowing from the International Finance Corporation, the Group has no outstanding borrowings and the total amount of long-term loans was approximately RMB136,638,000.

Total interest expense of the Group during the Period was approximately RMB2,527,000.

GEARING RATIO

As at 30 June 2009, the Group has a total net cash of RMB573,253,000 (the same period in 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). Change in the ratio was mainly due to the issue of new shares to a wholly owned subsidiary of Medtronic and the profit generated during the Period.

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 2009, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

Due to the fluctuation in the exchange rates, foreign exchange loss equivalent to approximately RMB1,022,000 for the six months ended 30 June 2009 was recognized.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2009.

MATERIAL INVESTMENTS AND FUTURE MATERIAL INVESTMENT PLANS

As at 30 June 2009, save for the material investment plans below, the Group has no material capital commitments or future planned investments, and there are no material acquisition and disposal in any subsidiary and associate during the Period.

1. According to the city planning of Weihai City, the industrial zone of the Group's existing consumable production plant will be re-zoned as commercial and residential within 5 years. During the Period, the Group invested approximately RMB 80 million on land acquisition as land bank for the re-location of all of the consumables production plants in the coming 5 years. Based on the auction of commercial land sale in Weihai, it is estimated that the proceeds from the sale of the current properties will be sufficient to cover the cost of re-location and the new plant construction.

2. During the Period, the Group signed a co-operative agreement with Xin Qiao Hospital under the Third Army Medical University ("XQ Hospital"). Under the agreement, the Group sponsored XQ Hospital RMB 20 million for the purchase of equipment for the establishment of a dialysis center, and in return, the XQ Hospital will purchase medical devices from the Group of no less than RMB 35 million per year in the coming 10 years. The management of the Group considered that such collaboration enhances the sales of the Group and the long term relationship with customers. Such form of business collaboration is a trial to the Group. The Directors considered that leveraging the wide product ranges, efficient logistics and advanced technology support, it will better position the Group to participate in various new ways of procurement under the healthcare reform, thereby enhancing the long term competitiveness of the Group.

3. Weigao Blood, a 70% held subsidiary of the Group entered into a memorandum of understanding ("MOU") with an independent European company during the Period. Under the MOU, Weigao Blood and the European company agreed to establish a joint venture company to produce dialysis machines. The joint venture company will be held as to 66% by Weigao Blood and 34% by the European company. The registered capital of the joint venture company will be approximately Euro 5.35 million.

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 RMB38,218,000. The amounts will be paid by the Group from internal resources of the Group.

OUTLOOK

During the Period, with the implementation of PRC government's increased in investment and the various economic stimulus packages, the rate of economic growth in the PRC was obviously improved. However, the real economic growth and consumer confidence impacted by the financial crisis are still in recovery. There was a general and serious delayed in settlement of account by the Group's core customers since the end of last year. While there was a slight improvement in the second quarter in 2009, the delay in settlement is still a cause of concern. The Group is still carrying out control policy to contain the long term credit risk. With the return of confidence in economic growth, the raw material price of plastic has increased significantly. It has added pressure on managing costs on conventional products. With the implementation of healthcare reform underway, the exact ways of the reforms are being tested out in various areas within the country. This has led to suspension or delay in a lot of tenders. It has negatively impacted on the sale of new products.

While faced with unfavorable factors, the Group leveraged on its diversified product range and product lines. It actively adjusted its product mix and increased the sales in high value added products in intravenous catheters and high end infusion sets of minimal dosage, light proof and infusion sets made of non PVC based material, blood sampling products and safety syringes. This has raised the profitability of the Group. In dealing with the delay in settlement from customers, the Group continued to adopt tightened credit policy to control the potential expanded credit risk. With limited increase in credit to promote change in product mix, it lays a foundation for the Group to be the leader in high end consumables paving the way for further product mix adjustment. The Group also increased in its effort in collecting receivables. With a reasonable increased in collection expenses to lower the outstanding balances, it has effectively control the increase in receivable balances exceeded credit terms.

Looking ahead, the Directors expect that with the increase in awareness in healthcare, various level of governments' huge stimulus plans and gradual implementation of universal health care coverage, it will drive continuous, steady and rapid growth of the single-use medical devices in China. The Group strategically plans to penetrate the market share in middle to low end market through mergers and acquisitions. In view of the continuing change in market conditions , the achievement of product mix adjustment was remarkable. With the external factors for industry consolidation becoming favourable, the management will continue to adopt a proactive attitude in business development. In future, the Company will focus on the following aspects:

1. With the foundation of the existing engineering centers, and research and development centers, the Group plans to consolidate the domestic research resources, including research institutions, universities and hospitals through extensive collaborations; focus on research and development on high margin and high value single use consumables to substitute imported products from international medical device players. With the advantage in having local market experience and strong financial position, the Group seeks technologies from overseas and to expand its product lines through distribution arrangements,

mergers and acquisitions and licensing arrangements. In raising the Group's research and development capability to minimize the gap in the technology with companies from developed countries, it will strengthen the Group's leading position in high end consumables market in China.

2. The Group will continue to adopt prudent approach. Through mergers and acquisitions, expand the capacity in conventional consumables penetrating the fastest growth middle to low end medical market in counties level in China. The Group will continue to build and maintain its leadership position in single use consumables market in China and to better serve the China market.

3. The Group will explore strategic collaboration opportunities with overseas hospital sourcing group under the principles of mutual trust, win win for both parties and long term relationship. The Group aims to expand the export opportunities of its owned branded single use consumables and to participate in the international medical device industry.

4. Strengthening the communication and coordination with Medtronic. Actively assist in the sale of orthopedic products by the Distribution Joint Venture. Develop the joint venture company as a base model for international collaboration. Build on the experience paving the way for further international collaboration.

5. The Group will continue to expand the production capacity of dialyzers. The Group aims to become a major integrated supplier of dialyzer related consumables in China.

By leveraging the Group's in-depth understanding and the application of advanced technology and the continued innovation in operational management concept, the Group and its employees are confident to face new challenges.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Statement of use of proceeds as set out in the report regarding the new issue of 80,721,081 new H Shares

	Project	Actual business progress as at 30 June 2009
1	Approximately RMB88,190,000 for purchase of production machinery and equipment for orthopaedic products	Actual amount RMB69,320,000
2	Approximately RMB70,552,000 for purchase of production machinery and equipment for blood purification products	Actual amount RMB70,552,000
3	Approximately RMB220,475,000 for Repayment of bank borrowing	Actual amount RMB220,475,000
4	Approximately RMB401,617,000 to be used as general working capital	Actual amount RMB401,617,000

DIVIDEND AND THE EXTRAORDINARY GENERAL MEETING

The Board recommended to distribute an interim dividend of RMB0.072 per share (inclusive of tax). The total amount of dividends to be distributed shall be approximately RMB77,492,000, 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 1 January 2008 and the applicable tax rate is 10%. The listed issuer will be responsible for withholding the relevant amount of tax from 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 this final dividend will be submitted to the shareholders of the Company at the forthcoming extraordinary general meeting to be held on 9 October 2009.Dividends payable for non-listed Shares will be distributed and paid in RMB whereas dividends for H Shares will be distributed and paid in Hong Kong dollars.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the company will be closed from 9 September 2009 to 9 October 2009, 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 2009. Dividend warrants will be despatched on or before 3 November 2009 to shareholders whose names appear on the Company's register of members on 9 October 2009.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND LONG POSITIONS IN SHARES

As at 30 June 2009, 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 non-listed Shares	Approximate percentage of the issued share capital of the Company
Mr. Zhang Hua Wei	Beneficial owner	8,100,000	0.75%
Mr. Miao Yan Guo	Beneficial owner	5,850,000	0.54%
Mr. Wang Yi	Beneficial owner	5,850,000	0.54%
Mrs. Zhou Shu Hua	Beneficial owner	3,825,000	0.36%
Mr. Wang Zhi Fan	Beneficial owner	2,025,000	0.19%
Mr. Wu Chuan Ming	Beneficial owner	1,800,000	0.17%

In addition, Mr. Chen Lin, son of Mr. Chen Xue Li is holder of the Company's 50,000 non-listed shares, representing 0.005% 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 2009, 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 non-listed Shares	Approximate percentage of the Company's non-listed share capital	Number of H Shares	Approximate percentage of the Company's total issued share capital
Weigao Holding	Beneficial owner	532,438,919	82.1%	–	49.5%
Medtronic, Inc	Beneficial owner	80,721,081	12.5%	80,721,081	15.0%

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

Names of shareholders	Number of H shares interested	Percentage of issued H share capital
Atlantis Investment Management Ltd	51,184,000 (L)	12.0%
JP Morgan Chase & Co.	34,469,866 (L)	8.1%
	32,977,866 (P)	7.7%
FIL Limited	33,991,172 (L)	7.9%
FMR LLC	30,714,000 (L)	7.2%

Note : L - Long Position, (S) - Short Position, P - Lending Pool

Major Customers and Suppliers

For the six months ended 30 June 2009, the largest supplier of the Group and the next four largest suppliers accounted for about 6.7% and 13.3% 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. On 18 December 2008, the Company issued 80,721,081 new H Shares to Medtronic Holding Switzerland GmbH. 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. Li Jia Miao and Mr Lo Wai Hung (appointed on 10 August 2009), 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 2009 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 2009, 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 2009, 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 non compliance 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, 11 August 2009

As at the date of this report, 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, Mrs. Zhou Shu Hua, Mr Li Bing Yung and Mr Jean-Luc Butel as the non-executive Directors, and Mr. Luan Jian Ping, Mr. Shi Huan, Mr. Li Jia Miao and Mr. Lo Wai Hung as the independent non-executive Directors.