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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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 Stock 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The Stock Exchange takes no responsibility for the contents of this report, 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 report.

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 year ended 31 December 2009, the turnover of Shandong Weigao Group Medical Polymer Company Limited (the “Company” and together with its subsidiaries, the “Group”) was approximately RMB1,878,495,000 (2008: RMB1,514,367,000), representing an increase of 24.0% over the previous year. Net profit attributable to the owners of the Company was RMB633,864,000 (2008: RMB482,394,000), representing an increase of approximately 31.4% over the previous year.

During the year, the Group continued the strategy of improving the product mix, focusing 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 result was remarkable. Due to effective change in product mix, the Group further increased the gross profit margin to 53.3% from 50.1% in the previous year. The performance of the Group in four business segments was as follows:

1. Consumables: Remarkable results were achieved following the product mix adjustment on the principal products. During the year, the Group recorded turnover of RMB 1,526,908,000, representing an increase of 28.7% over the previous year. The Group recorded a continued growth in needle products, with turnover of approximately RMB328,524,000 during the year, representing an increase of 23.0% compared with last year. The Directors consider that needle products will become an important area for continued development of the Group.

   Market development of specialized infusion set with dosage control device and infusion sets made of proprietary non PVC based material has made significant progress during the year. It drove the turnover of infusion sets to RMB524,830,000, representing an increase of 40.2% over the previous year. With the keen market competition for infusion sets, manufacturers with poor quality products were phased out. The Group’s favourable position in the high-end infusion set was further strengthened.

   During the year, the glass tube production line for pre-filled syringes invested by the Group has been operated smoothly. Pre-filled syringes are widely used in vaccination and package injectable drugs with good market potential in China. The operation of the glass tube production line has eased the bottleneck of raw material supply for the production of pre-filled syringes, relieved the Group from reliance on import and thus enhanced the Group’s profitability. For the year ended 31 December 2009, turnover of pre-filled syringes amounted to approximately RMB63,822,000, representing an increase of 58.5% over the previous year.

2. Due to transfer pricing adjustment made after the establishment of the Distribution Joint Venture with Medtronic, turnover of Weigao Orthopaedic for the year ended 31 December 2009 decreased by 27.1% to approximately RMB125,262,000 from approximately RMB171,776,000 in last year. The Distribution Joint Venture, held as to 49% by the Company and 51% by Medtronic International, a wholly owned subsidiary of Medtronic, contributed approximately RMB31,604,000 to the Group for the year ended 31 December 2009 (2008: RMB8,448,000).

3. The new production line of Weigao Blood, a subsidiary of the Group operated satisfactorily. For the year ended 31 December 2009, Weigao Blood recorded turnover of approximately RMB68,887,000, representing an increase of approximately 174.7% compared with the previous year.

4. Production and sales of drug eluting stents by 山東吉威醫療製品有限公司 (Shandong JW Medical Products Company Limited) ("JW Medical"), a 50% jointly owned entity of the Company recorded significant growth during the year. For the year ended 31 December 2009, the attributable profit of JW Medical to the Group was approximately RMB109,369,000, representing an increase of 95.4% compared with the previous year.

The Directors recommended the payment of a final dividend of RMB0.105 (2008: RMB0.087), which is subject to approval by shareholders of the Company ("Shareholders") at the forthcoming annual general meeting.

FULL YEAR RESULT

The board of Directors (the "Board") is pleased to announce the audited results of the Group for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	**2009**	**2008**
		RMB'000	*RMB'000*
Revenue	3	1,878,495	1,514,367
Cost of sales		(877,236)	(756,134)
Gross profit		1,001,259	758,233
Other income, gains and losses		68,991	78,074
Distribution costs		(321,319)	(208,747)
Administrative expenses		(180,941)	(137,251)
Finance costs	5	(4,003)	(30,656)
Share of profit of a jointly controlled entity		109,369	55,981
Share of profit of an associate		31,604	8,448
Profit before taxation		704,960	524,082
Income tax expense	6	(71,782)	(38,977)
Profit for the year	7	633,178	485,105
Other comprehensive income			
Exchange differences arising on translation of foreign operations		216	(609)
Total comprehensive income for the year		633,394	484,496
Profit for the year attributable to:			
Owners of the Company		633,864	482,394
Minority interests		(686)	2,711
		633,178	485,105
Total comprehensive income attributable to:			
Owners of the Company		634,080	481,785
Minority interests		(686)	2,711
		633,394	484,496
Earnings per share - basic	9	RMB0.59	RMB0.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	NOTES	**2009** *RMB'000*	**2008** *RMB'000*
Non-current assets			
Property, plant and equipment		1,166,751	922,475
Investment properties		15,497	16,090
Prepaid lease payments		232,521	130,844
Intangible assets		23,963	27,077
Interest in a jointly controlled entity		240,389	131,020
Interest in an associate		65,268	14,070
Goodwill		202,900	202,900
Deferred tax asset		9,887	7,867
		1,957,176	1,452,343
Current assets			
Inventories	10	319,002	292,118
Trade and other receivables	11	852,192	690,766
Pledged bank deposits		100,258	75,020
Bank balances and cash		723,167	830,419
		1,994,619	1,888,323
Current liabilities			
Trade and other payables	12	771,565	646,944
Bank borrowings - repayable within one year		37,415	1,716
Tax payable		56,363	31,665
		865,343	680,325
Net current assets		1,129,276	1,207,998
		3,086,452	2,660,341
Capital and reserves			
Share capital	13	107,628	107,628
Reserves		2,832,055	2,369,104
Equity attributable to owners of the Company		2,939,683	2,476,732
Minority interests		3,183	8,191
Total equity		2,942,866	2,484,923
Non-current liabilities			
Bank borrowings - repayable after one year		113,803	136,692
Other payable		29,783	38,726
		143,586	175,418
		3,086,452	2,660,341

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to owners of the Company							
	Share capital *RMB'000*	Share premium reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(Note)*	Translation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
At 1st January, 2008	99,556	618,572	111,217	(244)	498,661	1,327,762	57,233	1,384,995
Profit for the year	—	—	—	—	482,394	482,394	2,711	485,105
Other comprehensive income for the year	—	—	—	(609)	—	(609)	—	(609)
Total comprehensive income for the year	—	—	—	(609)	482,394	481,785	2,711	484,496
Shares issued	8,072	774,598	—	—	—	782,670	—	782,670
Dividend paid	—	—	—	—	(115,485)	(115,485)	—	(115,485)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	(51,753)	(51,753)
At 31st December, 2008	107,628	1,393,170	111,217	(853)	865,570	2,476,732	8,191	2,484,923
Profit for the year	—	—	—	—	633,864	633,864	(686)	633,178
Other comprehensive income for the year	—	—	—	216	—	216	—	216
Total comprehensive income for the year	—	—	—	216	633,864	634,080	(686)	633,394
Capital injection from minority shareholder	—	—	—	—	—	—	500	500
Dividend paid	—	—	—	—	(171,129)	(171,129)	—	(171,129)
Disposal of a subsidiary	—	—	—	—	—	—	(4,822)	(4,822)
At 31st December, 2009	107,628	1,393,170	111,217	(637)	1,328,305	2,939,683	3,183	2,942,866

Note: The Articles of Association of the companies comprising the Group except Weigao International Medical Co. Limited ("Weigao International") and Weigao Medical Europe Company Limited ("Weigao Medical Europe") require the appropriation of 10% of profit after taxation (prepared under the generally accepted accounting principles in the PRC) each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provisions of the Articles of Association of the companies comprising the Group, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of its production and operation. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. GENERAL

The Company was established and registered 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 immediate and ultimate holding company is Weigao Holding Company Limited ("Weigao Holding"), a company registered in the PRC with limited liability. The address of the registered office and principal place of business of the Company is 312 Shi Chang Road, Weihai, Shandong Province, PRC.

The Company's shares have been listed on the GEM of The Stock Exchange since 27 February 2004.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the research and development, production and sale of single-use medical products, orthopaedic products and blood products.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 15	Agreements for the construction of real estate
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) - INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 8) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

New and revised HKFRSs affecting the reported results and/or financial position

HKAS 23 (Revised 2007) Borrowing costs

HKAS 23 (Revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. The option of immediately expensing those borrowing costs is removed. The adoption of HKAS 23 (Revised) does not have any impact to the Group as the Group has already applied the accounting policy of capitalising the borrowing costs which is consistent with HKAS 23 (Revised).

Amendments to HKAS 40 Investment property

As a result of amendments to HKAS 40 Investment property, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously, such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[5]

1 Effective for annual periods beginning on or after 1st July, 2009.
2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st January, 2010.
4 Effective for annual periods beginning on or after 1st February, 2010.
5 Effective for annual periods beginning on or after 1st July, 2010.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less sales tax and sales returns during the year.

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 and changed the basis of measurement of segment profit or loss. For the year ended 31st December, 2008, Other Products (including production and sale of other products such as blood purification consumables, medical equipment and medical PVC granules) was defined as one of the three operating divisions of the Group. In current year, as the chief operating decision makers, represented by the executive directors, are in the view that Blood Products (including production and sale of blood purification consumables and medical equipment) constitutes a significant component for the purpose of resources allocation, it has been separately defined as a new operating division. The remaining components of Other Products division (including production and sale of other products such as medical PVC granules) is considered as insignificant and has been reclassified into "Single Use Medical Products" division. The revised reportable segments and measurement of segment profit or loss are applied retrospectively for the year ended 31st December, 2008.

The Group is currently organised into three operating divisions - single use medical products, orthopaedic products and blood products. These divisions are the basis of the internal reports about components of the Group that are regularly reviewed by the chief operating division maker in order to allocate resources to segments and to assess their performance.

The Group's operating and reporting segments under HKFRS 8 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.
Blood products	—	production and sale of blood purification consumables, medical equipment.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

2009

	Single use medical products	Orthopaedic products	Blood products	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External sales	1,620,448	125,262	132,785	—	1,878,495
Inter-segment sales	5,530	—	2,235	(7,765)	—
Total	1,625,978	125,262	135,020	(7,765)	1,878,495
Segment profit (loss)	476,628	29,577	(4,090)	—	502,115
Unallocated expenses					(674)
Unallocated other income, gain and losses					62,546
Share of profit of a jointly controlled entity					109,369
Share of profit of an associate	—	31,604	—	—	31,604
Profit before tax					704,960

Inter-segments sales are charged at prevailing market rates.

2008

	Single use medical products	Orthopaedic products	Blood products	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External sales	1,274,151	171,776	68,440	—	1,514,367
Inter-segment sales	2,359	—	2,985	(5,344)	—
Total	1,276,510	171,776	71,425	(5,344)	1,514,367
Segment profit	331,649	62,318	464	—	394,431
Unallocated expenses					(730)
Unallocated other income, gain and losses					65,952
Share of profit of a jointly controlled entity					55,981
Share of profit of an associate	—	8,448	—	—	8,448
Profit before tax					524,082

Inter-segments sales are charged at prevailing market rates.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of unallocated other income, gains and losses, unallocated expenses, share of profit of a jointly controlled entity and share of profit of an associate. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

2009

	Single use medical products *RMB'000*	**Orthopaedic products** *RMB'000*	**Blood products** *RMB'000*	**Consolidated** *RMB'000*
Assets				
Segment assets	2,093,715	451,820	251,794	2,797,329
Interest in an associate	—	65,268	—	65,268
Interest in a jointly controlled entity				240,389
Investment properties				15,497
Deferred tax assets				9,887
Pledged bank deposits				100,258
Bank balances and cash				723,167
Consolidated assets				3,951,795
Liabilities				
Segment liabilities	745,275	34,817	38,893	818,985
Bank borrowings				151,218
Other payable relating the acquisition of additional interest in a subsidiary				38,726
Consolidated liabilities				1,008,929

2008

	Single use medical products *RMB'000*	Orthopaedic products *RMB'000*	Blood products *RMB'000*	Consolidated *RMB'000*
Assets				
Segment assets	1,629,671	464,814	171,695	2,266,180
Interest in an associate	—	14,070	—	14,070
Interest in a jointly controlled entity				131,020
Investment properties				16,090
Deferred tax assets				7,867
Pledged bank deposits				75,020
Bank balances and cash				830,419
Consolidated assets				3,340,666
Liabilities				
Segment liabilities	607,087	46,050	16,979	670,116
Bank borrowings				138,408
Other payable relating the acquisition of additional interest in a subsidiary				47,219
Consolidated liabilities				855,743

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than investment properties, pledged bank deposits, bank balances and cash, deferred tax assets, interest in an associate and interest in a jointly controlled entity. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than bank borrowings and other payable relating the acquisition of additional interest in a subsidiary. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

2009

	Single use medical products	Orthopaedic products	Blood products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	260,002	18,427	47,515	325,944
Additions to prepaid lease payments	97,830	—	8,929	106,759
Allowance for bad and doubtful debts	8,864	2,833	1,214	12,911
Release of prepaid lease payment	3,378	193	104	3,675
Amortisation of intangible assets	—	3,114	—	3,114
Depreciation of property, plant and equipment	53,107	11,454	6,491	71,052
(Gain) loss on disposal of property, plant and equipment	(244)	26	18	(200)
Research and development expenditure	63,644	11,050	2,982	77,676
Government grant	—	—	(6,581)	(6,581)
Rebate of value added tax (”VAT”)	(33,434)	—	—	(33,434)

2008

	Single use medical products *RMB'000*	Orthopaedic products *RMB'000*	Blood products *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	121,017	32,918	53,382	207,317
Additions to prepaid lease payments	41,880	—	4,387	46,267
Allowance for bad and doubtful debts	2,252	2,076	159	4,487
Release of prepaid lease payment	2,332	211	—	2,543
Amortisation of intangible assets	—	3,114	—	3,114
Depreciation of property, plant and equipment	43,862	10,657	2,067	56,586
Loss (gain) on disposal of property, plant and equipment	498	(1)	—	497
Research and development expenditure	53,426	5,555	—	58,981
Government grant	—	—	(18,350)	(18,350)
Rebate of VAT	(31,208)	—	—	(31,208)

Revenue from major products

	2009 *RMB'000*	**2008** *RMB'000*
Sale of single use medical products	1,620,448	1,274,151
Sale of orthopaedic products	125,262	171,776
Sale of blood products	132,785	68,440
	1,878,495	1,514,367

Information about major customers

There is no single customer contributing over 10% of total sales of the Group for both years.

Geographical segment

The Group's operations, assets and most of the customers are located in the PRC. Accordingly, no further analysis of revenue from external customers and non-current assets by geographical location is presented.

5. FINANCE COSTS

	2009	**2008**
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	6,308	33,227
Interest on bank borrowings wholly repayable after five years	823	2,333
Less: Amount capitalised in construction in progress	(3,128)	(4,904)
	4,003	30,656

6. INCOME TAX EXPENSE

	2009	**2008**
	RMB'000	*RMB'000*
PRC Enterprise Income Tax	73,802	40,188
Deferred taxation	(2,020)	(1,211)
	71,782	38,977

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

In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprise was subject to income tax at a tax rate of 15%.

The Company, Weihai Jierui Medical Products Company Limited ("Jierui Subsidiary"), Shandong Weigao Orthopaedic Device Company Limited ("Weigao Ortho") and Weihai Weigao Blood Purified Product Company Limited ("Weigao Blood") were recognised as Shandong Province New and High Technical Enterprises (山東省高新技術企業) for the years ended 31st December, 2009 and 2008. Therefore, they were subject to income tax at a tax rate of 15% for both years.

Commencing from 1st July, 2004, the Company 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. The Company commenced its first profit-making year in 2004. For the year ended 31st December, 2008, the Company was subject to income tax at a tax rate of 7.5%. Starting from the year ended 31st December, 2009, the Company was subject to income tax at a tax rate of 15%.

Pursuant to Guo Fa 2007 No. 92 issued by the State Council, with effect from 1st 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 value added tax is exempted from the PRC income tax. Jierui Subsidiary is subject to income tax at a tax rate of 15%. The tax charge provided for the years ended 31st December, 2009 and 2008 were made after taking these tax incentives into account.

Weigao Ortho is a foreign-invested enterprise 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 50% tax relief for the next three years. Weigao Ortho commenced its first profit-making year in 2006. For the year ended 31st December, 2009, Weigao Ortho was subject to income tax at a tax rate of 7.5% (2008: 7.5%)

Taxation for other PRC subsidiaries are calculated at a tax rate of 25% (2008: 25%).

No provision for Hong Kong taxation has been made for Weigao International as it did not have assessable profit in Hong Kong during both years.

The charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2009	**2008**
	RMB'000	*RMB'000*
Profit before taxation	704,960	524,082
Taxation at the domestic income tax rate of 15% (2008: 15%)	105,744	78,612
Tax effect of share of profit of a jointly controlled entity	(16,405)	(8,397)
Tax effect of share of profit of an associate	(4,741)	(1,267)
Tax effect of income not taxable for tax purpose	(7,059)	(4,925)
PRC income tax concession	(11,842)	(30,153)
Utilisation of estimated tax losses previously not recognised	(1,049)	(2,151)
Tax effect of expenses not deductible for tax purpose	5,334	5,763
Effect of differential tax rate on the Company	492	731
Others	1,308	764
Taxation	71,782	38,977

7. PROFIT FOR THE YEAR

	2009	2008
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Allowances for bad and doubtful debts	12,911	4,487
Amortisation of intangible assets (included in administration expenses)	3,114	3,114
Auditors' remuneration	1,916	1,389
Depreciation of property, plant and equipment	71,052	56,586
Depreciation of investment properties	593	551
Prepaid lease payments charged to profit or loss	3,675	2,543
Rental payments in respect of premises under operating leases	1,716	2,854
Research and development expenditure (including RMB10,954,000 staff costs (2008: RMB9,876,000))	77,676	58,981
Cost of inventories recognised as an expense	829,504	737,845
Staff costs, including directors' and supervisors' remuneration		
– Retirement benefits scheme contributions	41,812	30,263
– Salaries and other allowances	162,436	129,809
Total staff costs	204,248	160,072
Net foreign exchange loss (gain)	1,799	(5,517)
(Gain) loss on disposal of property, plant and equipment	(200)	497
Loss on fair value changes of derivative financial instrument	—	429
Interest income	(5,989)	(3,841)
Rental income from investment properties	(2,255)	(2,335)
Rebate of VAT (note a)	(33,434)	(31,208)
Government grant (note b)	(6,581)	(18,350)
Gain arising from establishing of an associate	—	(14,758)
Gain arising from increase in share of net assets of an associate	(22,137)	—

Notes:

(a) As Weihai Jierui Medical Products Company Limited ("Jierui Subsidiary") was recognised as a "Social Welfare Entity", the Tax Bureau in Weihai granted a rebate of the value added tax paid by Jierui Subsidiary with effect from 1st May, 1999 on the basis of "payment first then rebate". Pursuant to Guo Fa 2007 No.92 issued by the State Council, with effect from 1st July, 2007, Jierui Subsidiary was granted a rebate of value added tax determined with reference to the number of staff with physical disability. For each staff with physical disability, six times of the minimum salary approved by the local government in Weihai is granted to Jierui Subsidiary as rebate of value added tax but subject to an annual maximum limit of RMB35,000 per staff with physical disability.

(b) During the year, a government grant of RMB6,581,000 (2008: RMB18,350,000) was awarded to the Group for the research and development projects completed during the year.

8. DIVIDENDS

	2009	**2008**
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2009 Interim - RMB0.072 (2008: interim dividend – RMB0.057) per share	77,493	56,747
2008 Final - RMB0.087 (2008: 2007 final dividend – RMB0.059) per share	93,636	58,738
	171,129	115,485

The final dividend of RMB0.105 in respect of the year ended 31st December, 2009 (2008: final dividend of RMB0.087 in respect of the year ended 31st December, 2008) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to owners of the Company of approximately RMB633,864,000 (2008: RMB482,394,000) and on weighted average of 1,076,281,000 shares (2008: weighted average of 998,435,000 shares) in issue during the year.

No potential ordinary shares were outstanding either in the current or prior year. Diluted earnings per share is not presented.

10. INVENTORIES

	2009	2008
	RMB'000	*RMB'000*
At cost:		
Raw materials	144,940	136,681
Finished goods	174,062	155,437
	319,002	292,118

11. TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	774,007	602,116
Less: Allowance for bad and doubtful debts	(56,467)	(43,735)
	717,540	558,381
Bills receivable	63,063	45,926
Other receivables	27,977	45,564
Deposits and prepayments	43,612	40,895
	852,192	690,766

All the bills receivable will be matured within 90 days.

The Group allows an average credit period of 90 - 180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2009	2008
	RMB'000	*RMB'000*
0 to 90 days	458,531	330,972
91 to 180 days	142,176	121,040
181 to 365 days	68,238	73,640
Over 365 days	48,595	32,729
Trade receivables	717,540	558,381

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period:

	2009	**2008**
	RMB'000	*RMB'000*
0 to 90 days	127,115	210,354
91 to 180 days	58,136	21,980
181 to 365 days	36,491	3,008
Over 365 days	9,101	7,270
Trade payables	230,843	242,612
Bills payable	251,215	171,356
Consideration payable for the acquisition of additional interest in a subsidiary	81,029	80,579
Other payables and accrued expenses	208,478	152,397
	771,565	646,944

All the bills payable will mature within six months.

13. SHARE CAPITAL

	Nominal value of each share	Number of non listed shares	Number of H shares	Total number of shares	Value
	RMB	*(Note b)*	*(Note b)*	*RMB'000*	
At 1st January, 2008	0.1	648,160,000	347,400,000	995,560,000	99,556
Issue of H shares (Note a)		—	80,721,081	80,721,081	8,072
At 31st December, 2008 and 31st December, 2009		648,160,000	428,121,081	1,076,281,081	107,628

Notes:

(a) On 19th April, 2008, 30,000,000 H shares of RMB0.1 each were issued by the Company at HK$13.62 per share for cash by way of placing. The net proceeds of approximately RMB368,068,000 were used for purchase of production machinery of orthopaedics, cardio vascular strut business and blood purification products, for expansion of production capacity of single use medical products and for working capital of the Group.

The new shares issued rank pari passu with other shares in issue in all respect.

(b) Non listed Shares and H Shares are all ordinary shares in the share capital of the Company. However, H Shares may only be subscribed for by, and traded in currencies other than RMB between, legal or natural persons of Hong Kong, the Macau Special Administrative Region, Taiwan or any country other than the PRC. Non listed Shares must be subscribed for and traded in RMB. All dividends in respect of H Shares are to be paid by the company in Hong Kong dollars whereas all dividends in respect of non listed Shares are to be paid by the Company in RMB. Non listed Shares and the H Shares rank pari passu with each other in all other respects and in particular, rank equally for all dividends or distributions declared, paid or made.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

International collaboration

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

Since December 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.

During the year, the operation of the Distribution Joint Venture is gradually moving on track. Facing difference in management philosophy and operation mode from the two parties, the management teams from both parties frequently engaged in discussions, which to certain extent had an impact on markets development plan and therefore imposed pressure on operating costs. For the twelve months ended 31 December 2009, profit attributable to the Group was approximately RMB31,604,000.

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.

During the year, the profit attributable from orthopaedic manufacturing business to the Group decreased by 13.5% compared with last year. However, both parties firmly believe in the long term benefit from the collaboration and 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 explore other potential business collaboration opportunities in future.

Optimization Adjustments to Product Mix

During the year, the Group continued the strategy of improving the product mix, focusing 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 result was remarkable. Due to effective change in product mix, the Group had further increased the gross profit margin to 53.3% from 50.1% in the previous year. The performance of the Group in four business segments was as follows:

1. Consumables: Remarkable results were achieved following the product mix adjustment on the principal products. During the year, the Group recorded turnover of RMB 1,526,908,000, representing an increase of 28.7% over the previous year. The Group recorded a continued growth in needle products, with turnover of approximately RMB328,524,000 during the year, representing an increase of 23.0% compared with last year. The Directors consider that needle products will become an important area for continued development of the Group.

Market development of specialized infusion set with dosage control device and infusion sets made of proprietary non PVC based material has made significant progress during the year. It drove the turnover of infusion sets to RMB524,830,000, representing an increase of 40.2% over the previous year. With the keen market competition for infusion sets, manufacturers with poor quality products were phased out. The Group's favourable position in the high-end infusion set was further strengthened.

During the year, the glass tube production line for pre-filled syringes invested by the Group has been operated smoothly. Pre-filled syringes are widely used in vaccination and package injectable drugs with good market potential in China. The operation of the glass tube production line has eased the bottleneck of raw material supply for the production of pre-filled syringes, relieved the Group from reliance on import and thus enhanced the Group's profitability. For the year ended 31 December 2009, turnover of pre-filled syringes amounted to approximately RMB63,822,000, representing an increase of 58.5% over the previous year.

2. Due to transfer pricing adjustment made after the establishment of the Distribution Joint Venture with Medtronic, turnover of Weigao Orthopaedic for the year ended 31 December 2009 decreased by 27.1% to approximately 125,262,000 from approximately RMB171,776,000 in last year. The Distribution Joint Venture, held as to 49% by the Company and 51% by Medtronic International, a wholly owned subsidiary of Medtronic, contributed approximately RMB31,604,000 to the Group for the year ended 31 December 2009.

3. The new production line of Weigao Blood, a subsidiary of the Group operated satisfactorily. For the year ended 31 December 2009, Weigao Blood recorded turnover of approximately RMB68,887,000, representing an increase of approximately 174.7% compared with the previous year.

4. Production and sales of drug eluting stents by 山東吉威醫療製品有限公司(Shandong JW Medical Products Company Limited) ("JW Medical"), a 50% jointly owned entity of the Company recorded significant growth during the year. For the year ended 31 December 2009, the attributable profit of JW Medical to the Group was approximately RMB109,369,000, representing an increase of 95.4% compared with the previous year.

Due to the transfer pricing adjustment made after the establishment of the Distribution Joint Venture, the gross profit margin of orthopaedic products was below 60%. The percentage of turnover from high value-added products (gross profit margins of over 60%) to the total turnover of the Group during the year was 44.6% (2008: 45.6%).

Research and Development

For the twelve months ended 31 December 2009, the Group obtained 13 new patents and was applying for 23 new patents. Product registration certificates for 11 new products were obtained. Research and development were completed for 20 products and application for product registration certificates 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.

For the twelve months ended 31 December 2009, the Group had over 160 product registration certificates and over 150 patents, of which 15 were patents on invention.

In view of the need for 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 improve product series and expand product range. The Group continued to maintain its leading position in research and development capability in China. For the twelve months ended 31 December 2009, the total research and development expenses amounted to approximately RMB77,676,000 (2008: RMB58,981,000), representing 4.1% 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 year ended 31 December 2009, production volumes of the Group's products as compared with the previous year were as follow:

		For the year ended 31 December		
Product name	Measurement unit	**2009**	2008	Increase *(%)*
Infusion sets	1,000 sets	340,538	288,908	17.9
Medical needle	1,000 sets	2,325,686	2,076,655	12.0
Syringes	1,000 sets	657,967	526,160	25.1
Blood bags	1,000 pieces	18,446	15,401	19.8
Pre-filled syringes	1,000 pieces	24,640	13,900	77.3
Blood sampling products	1,000 pieces	145,490	137,290	6.0
Dental and anesthetic products	1,000 sets	3,554	3,007	18.2
Orthopedic products	1,000 pieces	2,421	2,427	(0.2)
Dialysis machines	1,000 pieces	365	0	N/A
PVC granules	Tons	12,878	11,805	9.1
Others	1,000 pieces	280,310	209,243	34.0

The Group increased the proportion of producing high value-added products and decreased the production of low value-added products. The adjustment has raised profit contribution from individual items and ultimately increased the Group's overall profitability.

Sales and Marketing

The Group's trademark of "Jierui" was accredited as "China Top Brand" by China Promotion Committee for Top Brand Strategy. The Group is the first enterprise in the medical device industry in the PRC to possess both "China Reputable Brand" and "China Top Brand".

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

During the year, the Group strengthened its sales management system and strengthened developing direct sales, integrated customers resources and phased out low profitability customers. For the twelve months ended 31 December 2009, the Group secured new customers of 29 hospitals and 67 corporate customers. The Group transferred a number of community medical units to be covered by distributors and some distributors of less competitiveness were being phased out or merged to become the second tier distributors, thereby reducing other medical units by 9. As at the date of this announcement, the Group has a customer base of 5,140 (including 2,920 hospitals, 413 blood stations, 641 other medical units and 1,166 trading companies).

Revenue by geographical segments

Region	2009		2008		Growth
	RMB'000	*%*	*RMB'000*	*%*	*%*
Eastern and Central	563,430	30.0	476,163	31.4	18.3
Northern	448,059	23.9	356,376	23.5	25.7
Northeast	272,654	14.5	222,951	14.7	22.3
Southern	202,879	10.8	163,215	10.8	24.3
Southwest	145,814	7.8	113,069	7.5	29.0
Northwest	58,866	3.1	51,379	3.4	14.6
Overseas	65,585	3.5	69,874	4.6	(6.1)
Shandong Meiwei (山東美威) (note)	121,208	6.4	61,340	4.1	97.6
Total	1,878,495	100.0	1,514,367	100.0	24.0

Note: Sales of Weigao Orthopaedic was all transferred to the Distribution Joint Venture in September 2008.

Integration of sales channels has strengthened the Group's market penetration in and influence over direct sales to high-end customers. It enhanced sales contribution per customer significantly and reduced selling expenses. The average sales per customer increased by approximately 21.9% over last year. Continued driving higher product penetration to high-end customers is an important way to generate revenue growth and increase profit contribution.

Adjustment to product mix is another important factor in enhancing the results for the year. During the year, the Group focused on sales and marketing of high value added products such as needle products, pre-filled syringes and high valued added 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 year is as follows:

	For the twelve months ended 31 December		
Product category	**2009**	**2008**	**Growth**
	RMB'000	*RMB'000*	*%*
Self-produced product			
— Infusion sets	524,830	374,337	40.2
— Medical needle	328,524	267,136	23.0
— Syringes	319,186	264,563	20.6
— Blood bags	139,966	119,186	17.4
— Pre-filled syringes	63,822	40,257	58.5
— Blood sampling products	42,326	37,169	13.9
— Dental and anesthetic products	21,966	18,457	19.0
— Other consumables	86,288	65,149	32.4
Sub-total of consumables	1,526,908	1,186,254	28.7
Orthopedic products (Note 1)	125,262	171,776	(27.1)
Blood purification consumables	68,887	25,077	174.7
PVC granules (Note 2)	62,976	70,179	(10.3)
Trading products			
Medical equipment	69,569	44,988	54.6
Other products	24,893	16,093	54.7
Total	1,878,495	1,514,367	24.0

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 31 December 2009, the Group employed a total of 6,862 employees. Breakdown by departments is as follows:

Department	**2009**	**2008**
Production	4,770	4,882
Sales and marketing	904	732
Research and development	725	685
Finance and administration	242	219
Quality control	124	118
Management	68	61
Purchasing	29	26
Total	6,862	6,723

Except for the six employees (including the company secretary) who reside in Hong Kong and Europe, all employees of the Group reside in the PRC. During the year, total amount of staff salaries, welfare and various funds amounted to approximately RMB204,248,000 (2008:RMB 160,072,000).

Remuneration System

The Group's remuneration policy has been determined based on its performance, changes in the local consumption level and the competition in the human resources market. The remuneration policy so determined has become the basis of determining the salary levels of employees recruited for different positions. The salary of each employee is determined according to the employee's performance, ability, employment conditions and the salary standards set by the Company. Remuneration of Directors is determined by the Remuneration Committee with reference to the operating results of the Company, personal performance of the Director and market competition. The proposed remuneration of Directors requires approval by shareholders at annual general meeting.

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group recorded turnover of RMB1,878,495,000, representing an increase of 24.0% over the previous year and net profit attributable to shareholders of the Group was RMB633,864,000, representing an increase of 31.4% over the previous year.

The significant growth in turnover and profit was mainly due to the Group's adjustments to product mix, enhancement in the operation efficiency and efforts in exploring new businesses.

Financial Summary

	Audited		
	2009	**2008**	**Growth**
	RMB'000	*RMB'000*	*%*
Turnover	1,878,495	1,514,367	24.0
Gross profit	1,001,259	758,233	32.1
Profit before interest, tax, depreciation and amortization (note)	642,749	550,131	16.8
Net profit attributable to owners	633,864	482,394	31.4

Note: Exclude share of profits from a jointly controlled entity and an associate.

Liquidity and Financial Resources

The Group has maintained a sound financial position during the year ended 31 December 2009. As at 31 December 2009, the Group's cash and bank balance amounted to approximately RMB723,167,000. For the year ended 31 December 2009, net cash flow from operating activities of the Group amounted to approximately RMB483,813,000. The Group has maintained a sound cash flow position.

During the year under review, the Group repaid bank borrowings of RMB1,844,000. As at 31 December 2009, the Group has repaid all domestic bank borrowing, except the long term borrowing from the International Finance Corporation ("IFC"). As at 31 December 2009, the total amount of bank and other borrowings payable within one year was approximately RMB37,415,000 (including borrowing from IFC for RMB 22,761,000 and bank loans secured by the pledge of bill receivables for RMB 14,654,000) (2008: RMB1,716,000) and the total amount of bank and other borrowings payable after one year amounted to RMB113,803,000 (2008: RMB136,692,000).

Total interest expense of the Group for the year ended 31 December 2009 was RMB4,003,000 (2008: RMB30,656,000).

Gearing Ratio

As at 31 December 2009, the total net cash of the Group amounted to RMB586,603,000 (2008: RMB692,011,000). The change in the total net cash was mainly due to increase in capital expenditune in 2009.

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. For the year ended 31 December 2009, the Group has not encountered any material difficulty due to currency fluctuation nor shortage of operating funds. For the twelve months ended 31 December 2009, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

Due to the change in exchange rates, foreign exchange loss equivalent to approximately RMB1,799,000 for the year ended 31 December 2009 was recognised (2008: foreign exchange gain was RMB 5,517,000).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2009.

Material Investments in subsidiaries/ Future material investment plans

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 year, the Group invested approximately RMB106,759,000 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 year, 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. In light of the strong market potential of pre-filled syringes, the Group planned to invest approximately RMB70,000,000 in introducing the second pre-filled syringe production line during the year, so as to enable the Group to enjoy a higher scale of economy and cost advantages.

Save for the above material investment plans, the Group had no material capital commitments or any future plans of significant investments or capital assets acquisition as at 31 December 2009, and there were no material acquisition and disposal in any other subsidiary and associate during the year.

Capital Commitments

As at 31 December 2009, the capital commitments of the Group contracted but not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB230,718,000 (2008: RMB41,924,000), in which the capital commitment in respect of the re-location of a new plant amounted to RMB107,831,000. The Group will pay the amount from the internal resources.

Pledge of the Group's Assets

As at 31 December 2009, the Group had pledged land use rights and buildings with a net book value of approximately RMB84,593,000 (2008: RMB196,744,000) and pledged bank deposits of RMB100,258,000 (2008: RMB75,020,000) to secure bills and banking facilities.

Reserves and Distributable Reserves

As at 31 December 2009, the total reserves of the Group amounted to RMB2,832,055,000 (2008: 2,369,104,000).

Under the PRC laws and regulations, the Company's distributable reserves will be based on the lower of the amount calculated according to the PRC accounting principles and rules and the amount calculated according to the Hong Kong generally accepted accounting principles. As at 31 December 2009, the distributable reserves of the Company were RMB409,134,000 (2008: RMB292,506,000).

Outlook

In 2009, the Group faced various challenges in the areas of operation and development. Firstly, there was a general trend to delay payments among the core direct sale customers of the Group, thereby increased the difficulty in long term credit risk control. Secondly, since the second half of the year, PVC based raw material prices increased continuously, imposing huge pressure on costs control and profitability of the conventional products of the Group. Thirdly, the collaboration with Medtronic was still at early teething stage and, as such, the value of strategic collaboration has yet to be materialised. This has led to drop in profit contribution from orthopaedic business to the Group. It has also posed severe challenge in meeting the Group's targeted growth. Fourthly, due to the rapid business expansion in recent years, there were problems relating to managing the market and sales channel. The Group took action to rectify the issues and sales growth of some products had been affected to certain extent. However, those rectifications laid a solid foundation for the Group's further development. Lastly, under estimating the difficulty in achieving stable product quality in production since obtaining product registration in blood purification products led to the delay in production and marketing of such products. This has impacted on the sales plan. However, experience gained from the implementation of the first production line laid a strong foundation for the rapid growth of this segment in the future.

While faced with unfavorable factors, the Group leveraged of its product range and product lines diversification. The Group focused on adjusting its product mix to increase the sales in high value added products, including intravenous catheters and high end infusion sets of minimal dosage, light proof and non PVC based infusion sets, blood sampling products and safety syringes. Sales of these products raised the profitability of the Group. In dealing with the delay in settlement from customers, the Group adopted moderately tightened credit policy to control the potential expanded credit risk. The Group promoted modification in product mix with limited increase in credit granted. This will strengthen the Group's leading position in high value consumables and it paved the way for further product mix adjustment. The Group also increased its effort in collecting receivables by appropriately offering attractive terms for early settlement from the customers, resulting in a reduction of total receivables balance. This increased the proportion of the sales expenses in the short term, but the management considered that it would generate sustainable and healthy cash flow to the Group in the long run.

Looking ahead, the Directors expect that with the increase in awareness in healthcare, various level of governments' huge investment under the healthcare reform and gradual implementation of universal healthcare coverage, it will drive continuous, steady and rapid growth of the single-use medical devices in China. In particular, the gradual expansion of mid and low end market size and share will be most obvious. This sets the direction for strategic mergers and acquisitions and market development. Taking into account continuous changes in market conditions, with break through in product mix adjustment and external factors for industry consolidation becoming favorable, the management will continue to be proactive in business development.

In 2010, the management expects the prices of raw materials will continue to be on an upward trend. The rise in labor cost coupled with the economic recovery will also exert a greater pressure on costs. In general, easing costs pressure will be the top priority of the Group. Moreover, with the commencement of the tender process of the high end consumables in 2010, the management expects there will have a greater pressure on the price of cardiovascular stent and that will affect the earning growth of this business segment. With the increase in trade protection, there will not be much progress in export market in the short term. Certain verbally agreed export order may also be terminated. Therefore, it will still be a year full of challenges in 2010. The management has identified the following priorities:

1. Continue to consolidate position in the high-end market. 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. The Group will continue to focus its research and development on high margin and high value single use consumables to substitute imported products from international medical device players. With the Group's advantageous position in local market and sound financial position, through various channels including distribution arrangements, acquisitions and licensing arrangements to

seek technologies from overseas, raising the Group's research and development capability so as to minimize the gap in the technology with players of developed countries, and to expand product ranges. This will continue to strengthen the Group's leading position in high end consumables market in China.

2. Continue in value segment market M&A strategy. The Group will adhere to the principles of reasonable valuation and stable operations. Under the premises of enhancing mutual benefits, the Group will promote negotiations with potential partners in the industry and at an appropriate timing, implements value segment market M&A strategy.

3. Continue to gradually drive the international sales. The Group will seek distribution partners in the international markets under the principles of mutual trust, win win situation and long term relationship. The Group aims to expand the export opportunities of its owned branded single use consumable on price advantages. The Group will maintain and expand its overseas market share of products with competitive advantages with an aim to lay the foundation to participate in the international market competition in the future.

4. Continue to drive and seek international cooperation. The Group will continue to work closely with Medtronic in the area of orthopaedic, striving for the joint venture company to become a model for international collaboration. With accumulated experience, the Group will continue to strive for international collaboration. The Group considered that, despite the fact that cooperation with Medtronic has affected the profitability of the Company in the short term, the long-term value of international cooperation will gradually emerge. Under the principle of complementary strengths and based on the China market, the Group will advance the strategic collaboration with renowned international players in other areas.

5. Setting blood purification products as a direction for strategic product mix adjustment. The Group will continue to expand the production capacity of dialysers for the Group to become a major integrated supplier of dialyser related consumables in China. The Group will increase its effort in negotiating with the government for the Group to enter into the dialysis service sector and to create a new business segment. The Group strives for the opportunity to participate in blood purification service market and to provide better services to dialysis patients.

6. Continue to place further resources on research and development, and product registration in wound management, in vitro fertilization, cardiac surgery for early introduction to the market and to further expand the Group's product range.

   By leveraging on the Group's in-depth knowledge of the domestic market and the application of advanced technology and the continued innovation in operation management, the Group will continue to strengthen its professional management team. The Group and its employees are confident to face new challenges.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debenture of the Company granted to any directors or their respective associates or were any such rights exercised by them; or was the Company, any subsidiaries of its ultimate holding company or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in the Company or any other body corporate.

BOARD PRACTICES AND PROCEDURES

The Code on Corporate Governance Practices (the "CCGP") contained in the GEM Listing Rules which set out the principles of good corporate governance and the Company is required to comply with the code provisions of the CCGP. The Company fully admitted that good corporate governance, as part of the Company's culture, can create values to the Group and the Shareholders. The Board is committed to continuing to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. The Group has adopted practices which meets the code provisions of the CCGP.

AUDIT COMMITTEE

The Company set up an audit committee with terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company. The audit committee has five members comprising Mr. Lo Wai Hung, Mr. Shi Huan, Mr Luan Jian Ping and Mr Li Jia Miao, being independent non-executive directors and Ms. Zhou Shu Hua, a non-executive director.

During the Year, the audit committee held four meetings and the committee had reviewed and approved the annual report for the year ended 31 December 2008 and the first three quarterly reports of the year 2009. On 15 March 2010, the audit committee had reviewed and approved the financial statements for the year ended 31 December 2009.

The unaudited quarterly and interim results and audited annual results for the year ended 31 December 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive right under the Company's articles of association and the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Pursuant to the terms of the subscription and sale and purchase agreement dated 18 December 2007 entered into between the Company, Weigao Holding Company Limited, certain management shareholders, Medtronic and Medtronic Holding Switzerland GmbH ("Medtronic Switzerland"), so long as Medtronic Switzerland continuously and beneficially owns at least five percent (5%) of the enlarged issued share capital of the Company in the form of H Shares, it shall be entitled to certain pre-emptive rights in the event that the Company proposes to issue H Shares or securities that are convertible into H Shares. Provided that Medtronic Switzerland maintains the five percent (5%) threshold requirement described immediately above, the Company shall, prior to issuing any H Shares or securities that are convertible into H Shares, give Medtronic Switzerland notice in writing specifying (a) the number of H Shares it proposes to issue, and (b) the price at which such H Shares are being issued. Upon receipt of such notice, Medtronic Switzerland shall have the right, but not the obligation, to subscribe for up to such number of H shares (or securities that are convertible into H Shares), at the same price and on the same terms and conditions as set out in the notice, as necessary to maintain its pro rata equity ownership of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with he code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2009.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend a final dividend of RMB0.105 per share (inclusive of tax). The total amount of dividends to be distributed shall be approximately RMB113,010,000, 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 the dividend payment and the dividends to be received by the non-resident corporate shareholders will be net of withholding tax. The proposal to declare and pay this final dividend will be submitted to the shareholders of the Company at the forthcoming annual general meeting ("AGM") to be held on Monday, 10 May 2010. Final dividend for non-listed Shares will be distributed and paid in RMB whereas dividend for H Shares will be declared in RMB and paid in Hong Kong dollars. The register of holder of H Shares of the Company will be closed from Saturday, 10 April 2010 to Monday, 10 May 2010 (both days inclusive) during which no transfer of H Shares will be registered. In order to qualify for entitlement to the proposed final dividend and for attending and for voting in the forthcoming annual general meeting of the Company, all transfers of H Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's H Share Registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 9 April 2010. The final dividend will be distributed on or before 11 June 2010.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 9:00 a.m. on Monday, 10 May, 2010 at the registered office of the Company at No. 312 Shichang Road, Weihai City, Shandong Province, PRC.

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

Weihai, Shandong Province, the PRC
15 March 2010

As at the date of this announcement, the Board comprises:

Mr. Zhang Hua Wei *(Executive Director)*
Mr. Miao Yan Guo *(Executive Director)*
Mr. Wang Yi *(Executive Director)*
Mr. Wang Zhi Fan *(Executive Director)*
Mr. Wu Chuan Ming *(Executive Director)*
Mr. Chen Xue Li *(Non-executive Director)*
Mrs. Zhou Shu Hua *(Non-executive Director)*
Mr. Jean-Luc Butel *(Non-executive Director)*
Mr. Li Bing Yung *(Non-executive Director)*
Mr. Shi Huan *(Independent non-executive Director)*
Mr. Luan Jian Ping *(Independent non-executive Director)*
Mr. Lo Wai Hung *(Independent non-executive Director)*
Mr. Li Jia Miao *(Independent non-executive Director)*

This announcement will remain on the GEM website at on the "Latest Company Announcement" page for at least seven days from the date of its posting.

* *For identification purpose only*