山東威高集團醫用高分子製品股份有限公司

Shandong Weigao Group Medical Polymer Company Limited *

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

(Stock Code: 8199)

ANNOUNCEMENT OF THE FIRST QUARTER RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2010

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

* *For identification purpose only*

SUMMARY

For the three months ended 31 March 2010 the unaudited turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB513,025,000, representing an increase of approximately 30.1% over approximately RMB394,254,000 for the same period last year.

Unaudited net profit attributable to the shareholders for the three months ended 31 March 2010 was approximately RMB141,009,000, representing an increase of approximately 33.5% from approximately RMB105,603,000 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 and pre-filled syringes. The result was remarkable.

During the Period, (1) turnover of single use consumables continued to maintain growth trend and reached RMB423,383,000, representing an increase of 30.0% when compared with the same period last year; (2) turnover of orthopaedic business was RMB34,685,000, representing an increase of 20.6% when compared with the same period last year. The Distribution Joint Venture with Medtronic, Inc. ("Medtronic") in orthopaedic product was running well and its attributable profit to the Group was RMB10,322,000 for the three months ended 31 March 2010, an increase of 60.8% when compared with the same period last year; (3) turnover of blood purification business was RMB25,837,000, representing an increase of 160.4% over the same period last year; and (4) attributable profit of the stent business to the Group was approximately RMB34,915,000, representing an increase of 57.8% compared with the same period last year.

The board of Directors (the "Board") does not recommend the distribution of an interim dividend for the three months ended 31 March 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2010, together with the unaudited comparable figures for the same period in 2009 as follow:–

		Unaudited For the three months ended 31 March	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**513,025**	394,254
Cost of sales		**(253,014)**	(204,726)
Gross profit		**260,011**	189,528
Other income		**24,099**	16,421
Distribution costs		**(112,532)**	(74,304)
Administrative expenses		**(60,800)**	(42,638)
Finance costs	*4*	**(1,290)**	(1,242)
Share of profit in a jointly controlled entity		**34,915**	22,124
Share of profit of an associate		**10,322**	6,421
Profit before taxation	*5*	**154,725**	116,310
Income tax expense	*6*	**(13,527)**	(11,692)
Profit for the year		**141,198**	104,618
Other comprehensive income:			
Exchange difference on translation of foreign operations		**48**	(5)
Total comprehensive income for the year		**141,246**	104,613
Profit for the year attributable to:			
Equity holders of the Company	*7*	**141,009**	105,603
Minority interests		**189**	(985)
		141,198	104,618

		Unaudited For the three months ended 31 March	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Total comprehensive income attributable to:			
Equity holders of the Company		**141,057**	105,598
Minority interests		**189**	(985)
		141,246	104,613
Dividends proposed	*8*	**–**	–
Earnings per Share (Basic)	*9*	**RMB0.131**	RMB0.098

Notes

1. **Basis of preparation and accounting policies**

These unaudited condensed consolidated statement of comprehensive income have been prepared in accordance with Hong Kong Accounting Standards (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, Accounting Principles Generally Accepted in Hong Kong, Hong Kong Financial Reporting Standards 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 consolidated financial information are consistent with those used in the financial statements for the year ended 31 December 2009.

The Group has applied the new and amended Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (referred as "NEW HKFRSs") issued by HKICPA that are effective for the 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 accounts.

The consolidated results for the three months ended 31 March 2010 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 2009.

2. **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.

3. **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.

The Group is currently organised into three operating divisions - single use medical products, orthopaedic products and blood products. The following is an analysis of the Group's revenue and results by reportable segment:

2010

	Single use medical products	**Orthopaedic products**	**Blood products**	**Eliminations**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue					
External sales	**446,050**	**34,685**	**32,290**	**–**	**513,025**
Inter-segment sales	**1,594**	**–**	**173**	**(1,767)**	**–**
Total	**447,644**	**34,685**	**32,463**	**(1,767)**	**513,025**
Segment profit (loss)	**83,116**	**8,576**	**(1,345)**	**–**	**90,347**
Unallocated expenses					**(61)**
Unallocated other income, gain and losses					**19,202**
Share of profit of a jointly controlled entity					**34,915**
Share of profit of an associate					**10,322**
Profit before tax					**154,725**

2009

	Single use medical products	Orthopaedic products	Blood products	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External sales	342,740	28,761	22,753	–	394,254
Inter-segment sales	893	–	421	(1,314)	–
Total	343,633	28,761	23,174	(1,314)	394,254
Segment profit (loss)	73,727	2,677	(2,710)	–	73,694
Unallocated expenses					(133)
Unallocated other income, gain and losses					14,204
Share of profit of a jointly controlled entity					22,124
Share of profit of an associate					6,421
Profit before tax					116,310

4. Finance costs

Finance costs for the three months ended 31 March 2010 were approximately RMB1,290,000 (corresponding period in 2009: approximately RMB1,242,000), which were mainly incurred from the borrowing from International Finance Corporation.

5. Profit before tax

Profit before tax after charging (crediting) the followings:

	Unaudited For the three months ended 31 March	
	2010	2009
	RMB'000	*RMB'000*
Operating profit has been arrived at after charging (crediting):		
Provision for bad debts	**5,381**	1,901
Amortisation of Intangible assets (including management charges)	**779**	779
Depreciation	**21,791**	14,307
Depreciation of investment properties	**148**	138
Prepaid lease payments charged to income statement	**1,369**	877
Rental payments in respect of premises under operating leases	**996**	957
Research and development expenditure	**25,196**	17,741
Cost of inventory recognized as expenses	**253,014**	204,726
Staff costs, including directors' remuneration		
Retirement benefits scheme contribution	**12,458**	11,133
Wages and salaries	**45,873**	40,379
Total staff costs	**58,331**	51,512
Net loss from foreign exchange	**57**	871
Loss/(Profit) on disposal of property, plant and equipment	**(311)**	29
Interest income	**(1,642)**	(969)
Rental income from investment properties	**(564)**	(564)
Rebate of value-added tax	**(8,420)**	(8,476)
Gain generated from investing in an associate	**(8,855)**	(5,534)

Note: 威海潔瑞醫用製品有限公司(Weihai Jierui Medical Products Company Limited) ("Jierui Subsidiary") was recognised as a "Social Welfare Entity" and under the "payment then refund" principle. Weihai Municipal Government has granted Jeirui Subsidiary the exemption of paying value-added tax with effect from 1 May 1999. Pursuant to Guo Fa 2007 No. 92 issued by the State Council, with effect from 1 July 2007, the amount of exempted value-added tax granted to Jierui Subsidiary is determined by taking into account the number of employees with disabilities. The refund limit for every employee with disability was based on six times of the local 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.

6. Taxation

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

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.

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. Under the New Law and Implementation Regulations, the tax rate for certain subsidiaries changed from 33% to 25% from 1 January 2008.

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 shall be subject to income tax at a tax rate of 15%.

On 5 December 2008, the Company, 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）. Therefore, the Company, Jierui Subsidiary, Weigao Ortho and Weigao Blood are subject to income tax at a tax rate of 15%.

Commencing from 1 July 2004, the Company was recognized as a "Foreign Invested Enterprise" and 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 and the tax relief was expired on 31 December 2008. Starting from the year ended 31 December 2009, the Company was subject to income tax at a tax rate of 15%.

Jierui Subsidiary was recognised 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 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 is subject to income tax at a tax rate of 15%. The tax charge provided for the three months ended 31 March 2010 was made after taking these tax incentives into account.

Weigao Ortho is a sino-foreign joint venture operating in the PRC and is entitled to 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. Weigao Ortho is recognised as a "High and New Technology Enterprise". The tax charge provided for the three months ended 31 March 2010 was made after taking these tax incentives into account.

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

7. Profit attributable to equity holders of the Company

For the three months ended 31 March 2010, the net profits attributable to equity holders of the Company were approximately RMB141,009,000 (Corresponding period in 2009: approximately RMB105,603,000).

8. Dividend

There were no dividends declared for the three months ended 31 March 2010 and the corresponding period in the previous year.

9. Earnings per share

For the three months ended 31 March 2010, basic earnings per share were calculated based on net profit attributable to equity holders of the Company of approximately RMB141,009,000 (Corresponding period in 2009: approximately RMB105,603,000), and on the weighted average total number of 1,076,281,000 shares (Corresponding period in 2009: 1,076,281,000 shares).

No diluted earnings per share is presented for the three months ended 31 March 2010, as there were no potential ordinary shares in issue during the quarter.

10. Movement in reserves

The Group	Share capital *RMB'000*	Share premium reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(Note b)*	Foreign currency statements conversion discrepancies *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
As at 1 January 2009	107,628	1,393,170	111,217	(853)	865,570	2,476,732	8,191	2,484,923
Profit for the year and total income recognized	–	–	–	–	633,864	633,864	(686)	633,178
Dividend paid	–	–	–	–	(171,129)	(171,129)	–	(171,129)
Exchange differences arising on translation of foreign operation	–	–	–	216	–	216	–	216
Disposal of subsidiaries	–	–	–	–	–	–	(4,822)	(4,822)
Minorities shareholders capital contributions	–	–	–	–	–	–	500	500
As at 31 December 2009	107,628	1,393,170	111,217	(637)	1,328,305	2,939,683	3,183	2,942,866
Profit for the Period and total income recognized	**–**	**–**	**–**	**–**	**141,009**	**141,009**	**189**	**141,198**
Exchange difference on translation of foreign operation	**–**	**–**	**–**	**48**	**–**	**48**	**–**	**48**
As at 31 March 2010	**107,628**	**1,393,170**	**111,217**	**(589)**	**1,469,314**	**3,080,740**	**3,372**	**3,084,112**

(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 and Weigao Medical (Europe) Company Limited) require that 10% of the profit after taxation should be transferred to the statutory surplus reserve in accordance with the PRC GAAP, until it has reached 50% of the registered capital. Pursuant to the Articles of Association of the companies under the Group, under normal circumstances, statutory surplus reserves can only be used to make up for losses, convert into share capital by way of capitalisation, and for the expansion of the company's production and operation. In the event of conversion of the statutory surplus reserve into share capital by way of capitalisation, the balance of the reserve shall not be less than 25% of the enlarged registered capital.

(c) Statutory public welfare fund

According to the Company Law and regulations of the 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 is part of the share capital of the shareholders, which cannot be distributed other than for the purpose of liquidation. The Board of Directors resolved that under the Company Law of the PRC, the statutory public welfare fund of RMB17,147,000 as at 1 January 2006 was transferred to the statutory surplus reserve.

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 31 March 2010, retained earnings distributable to shareholders was approximately RMB455,645,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

International Collaboration

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

During the Period, Weigao and Medtronic were working closely on trial production and producing samples for various orthopaedic products 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 Period, the operation of the Distribution Joint Venture for orthopaedic products between the Company and Medtronic is gradually moving on track. Profit attributable to the Group was RMB10,322,000, representing an increase of 60.8% over the same period last year.

On 12 April 2010, Weigao Blood, a subsidiary of the Company, established a strategic business alliance with Nikkiso Co., Ltd. and both parties entered into a framework agreement and a joint venture agreement. The registered capital of the joint venture company is US$11,000,000, of which Weigao Blood will contribute US$5,610,000 (or approximately RMB38,296,000) and will hold 51% equity interests. The joint venture company will produce hemodialysis machines in China and provide after-sales services. Weigao Blood will distribute the hemodialysis machines produced by the joint venture company in China. The alliance combines the complementary strengths of the two partners. It will further strengthen the Group's competitive position in blood purification segment and lays a solid foundation for the Group's business expansion in the blood purification market in China.

Optimisation Adjustments to Business and Product Mix

During the Period, the Group continued the strategy of improving the product mix. The Group focused on the business development of blood purification products and increased the marketing and sales effort on high value-added products such as intravenous catheters, high-end infusion sets and pre-filled syringes. The result was remarkable.

For the three months ended 31 March 2010, remarkable results were achieved following the product mix adjustment on the principal consumable products. The Group recorded a turnover of RMB423,383,000, representing an increase of 30.0% when compared with the same period last year.

The Group recorded continuous growth in sales of needle products following downward adjustment on price and completely counteract the effect of decrease in price. During the Period, the Group recorded a turnover of RMB84,115,000, representing an increase of 20.8% when compared with the same period last year. The Directors consider that with continuous launching of needle products to the market, the needle products will continue to be an important segment for long term development of the Company.

During the Period, the market development of specialized infusion set with dosage control device and the Company's invented infusion sets made of non PVC based materials had made significant progress. It drove the turnover of infusion sets to RMB153,171,000, representing an increase of 43.8% when compared with the same period last year. With keen market competition for infusion sets, manufacturers with poor quality products would be phased out. The Group's favourable position in the high-end infusion set market was further strengthened.

During the Period, the Group recorded a turnover for pre-filled syringes of approximately RMB18,277,000, representing an increase of 91.7% over the same period last year. Pre-filled syringes are widely used in vaccination and packaged injectable drugs with good market potential in China.

For the three months ended 31 March 2010, Weigao Ortho recorded a turnover approximately RMB34,685,000, representing an increase of 20.6% when compared with approximately RMB28,761,000 for the same period last year.

For the three months ended 31 March 2010, the new production line of Weigao Blood, a subsidiary of the Company, operated very well. Sales of the products recorded rapid growth since launched to the market. During the Period, Weigao Blood recorded a turnover of RMB25,837,000, representing a significant increase of 160.4% when compared with the same period last year.

For the three months ended 31 March 2010, 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"), which is 50% held by the Company, were operated very well. During the Period, it contributed a profit of RMB34,915,000 to the Group, representing an increase of 57.8% when compared with the same period last year.

Benefiting from the aforesaid move of adjustment to the product mix, the percentage of turnover from high value-added products (products with gross profit margins of over 60%) to the total turnover of the Group during the Period increased to 42.9% (2009: 40.7%). The achievement of product mix adjustment was remarkable. 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%.

RESEARCH AND DEVELOPMENT

For the three months ended 31 March 2010, the Group obtained 2 new patents and is applying for 21 new patents. Product registration certificates for 1 new products were obtained. Research and development were completed for 25 products for which 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.

As of 31 March 2010, the Group had over 160 product registration certificates and over 160 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 expanding existing products ranges and new medical devices, 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 three months ended 31 March 2010, the total research and development expenses amounted to approximately RMB25,196,000 (2009: RMB17,741,000), representing 4.9% of the total turnover of the Group.

Production

For the three months ended 31 March 2010, production volume of the Group's products as compared with the corresponding period in 2009 is as follows:

		For the three months ended 31 March		
Product Type	**Measurement unit**	**2010**	**2009**	**Increase/ (Decrease)**
				%
Needles	1,000 sets	671,616	518,450	29.5%
Syringes	1,000 sets	166,532	142,890	16.5%
Infusion sets	1,000 sets	77,840	64,460	20.8%
Blood sampling products *(note 1)*	1,000 sets	34,850	35,320	(1.3%)
Pre-filled syringes	1,000 sets	6,754	4,950	36.4%
Blood bags	1,000 sets	2,639	2,610	1.1%
Blood purification consumables	1,000 sets	1,186	586	102.4%
Orthopaedic products *(note 3)*	1,000 sets	323	545	(40.7%)
PVC granules *(note 2)*	Tons	2,594	2,679	(3.2%)
Others	1,000 sets	69,004	58,584	17.8%

Note 1: The decrease in production volume of blood sampling products was due to the decrease in sales volume of the Company's export in blood sampling products;

Note 2: The decrease in production volume of granules was due to the decrease in sales of low margin granules so as to ensure supply for internal consumption of PVC for production of single use consumables;

Note 3: The decrease in production volume of orthopaedic products was due to the reduction of inventory level.

During the Period, the Group implemented strategy on product mix adjustment by increasing the production of high added-value products and decreased the production of products with low rate of returns and profitability. This has enhanced the contribution rate for each type of products and eventually raised the overall profitability of the Company.

Sales and Marketing

The Group persisted to implement the strategy in integrating its sales channels. It focused on product mix adjustment and improve the efficiency of credit resources extended on account receivables. The results have been remarkable.

During the Period, the Group strengthened its sales management system, strengthened developing direct sales, integrated customer resources and phased out low profitability customers. For the three months ended 31 March 2010, the Group has secured new customers of 8 hospitals. The Group transferred a number of small size medical units to be covered by distributors and some distributors of less competitiveness were being phased out or merged and become the second tier distributors, thereby increasing 17 other medical units and decreasing 60 corporate customers over the same period last year. As at the date of this announcement, the Group has a customer base of 5,105 (including 2,928 hospitals, 413 blood stations, 658 other medical units and 1,106 trading companies).

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

REVENUE BY GEOGRAPHICAL SEGMENTS

Region	**2010**		2009		**Growth**
	RMB'000	*%*	*RMB'000*	*%*	*%*
Northeast	**74,812**	**14.6**	54,430	13.8	37.4
Northern	**119,156**	**23.2**	87,502	22.2	36.2
Eastern and Central	**198,941**	**38.8**	147,642	37.4	34.7
Southwest	**40,509**	**7.9**	32,779	8.3	23.6
Northwest	**14,040**	**2.7**	12,148	3.1	15.6
Southern	**47,237**	**9.2**	42,183	10.7	12.0
Overseas	**18,330**	**3.6**	17,570	4.5	4.3
Total	**513,025**	**100.0**	394,254	100.0	30.1

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 sale per customer increased by approximately 29.5% over the same period last year. Continued driving higher product penetration to high-end customers is an important way to generate revenue growth.

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

Product category	**For the three months ended 31 March** **2010** ***RMB'000***	2009 *RMB'000*	**Increase/ (Decrease)** *%*
Self-produced products			
– Infusion sets	**153,171**	106,484	43.8
– Syringes	**91,365**	74,367	22.9
– Medical needles	**84,115**	69,610	20.8
– Blood bags	**35,298**	32,240	9.5
– Blood sampling products	**9,821**	11,360	(13.5)
– Pre-filled syringes	**18,277**	9,536	91.7
– Other consumables	**31,336**	22,149	41.5
Subtotal for consumables	**423,383**	325,746	30.0
Orthopaedic products	**34,685**	28,761	20.6
Blood purification consumables	**25,837**	9,921	160.4
PVC granules	**13,252**	11,275	17.5
Trading			
– Medical equipment	**8,053**	13,783	(41.6)
– Other products	**7,815**	4,768	63.9
Total	**513,025**	394,254	30.1

HUMAN RESOURCES

As at 31 March 2010, the Group employed a total of 6,874 employees. Breakdown by departments is as follows:

Department	**Number of employees**
Research	729
Sales and marketing	996
Production	4,689
Purchasing	28
Quality control	123
Management	69
Finance and administration	240

Save as the qualified accountant and the company secretary reside in Hong Kong, all employees of the Group reside in the PRC. For the three months ended 31 March 2010, the total cost of salaries, welfare and various funds amounted to approximately RMB58,331,000.

FINANCIAL REVIEW

Financial summary

For the three months ended 31 March 2010, unaudited turnover and net profit recorded by the Group were approximately RMB513,025,000 and RMB141,009,000 respectively, representing a growth of 30.1% and 33.5% as compared with approximately RMB394,254,000 and RMB105,603,000 in the corresponding period of 2009 respectively.

The significant growth in turnover and profit was mainly due to the adjustments to product mix, raising operation efficiency and development of new product lines.

Liquidity and Financial Resources

The Group has maintained a sound financial position for the three months ended 31 March 2010. As at 31 March 2010, the Group has a cash balance of approximately RMB672,795,000.

During the Period, the Group repaid bank borrowings of RMB20,953,000. As at 31 March 2010, the total amount of borrowing from IFC repayable after one year by the Group was approximately RMB102,395,000. The total amount of bank and other borrowings repayable within one year was approximately RMB37,083,000 (including borrowing from IFC for RMB22,754,000 and bank loans secured by the pledge of bill receivables for RMB14,329,000).

During the Period, the total interest expenses of the Group was approximately RMB1,290,000.

Gearing Ratio

As at 31 March 2010, the Group had a net cash of RMB547,646,000 (2009: approximately RMB700,623,000).

Foreign Exchange Risks

The Group's purchases and sales are mainly conducted in the PRC. All assets, liabilities and transactions are mainly denominated in RMB. During the Period, the Group has not encountered any material difficulty nor shortage of operating funds due to currency fluctuation. For the three months ended 31 March 2010, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

In 2008, the Company drew down a long term loan from the International Finance Corporation in the amount of US$20 million. Due to the change in exchange rate, foreign exchange loss equivalent to approximately RMB57,000 for the three months ended 31 March 2010 was recognized.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 2010.

Material Investment and 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 Period, the Group invested approximately RMB32,494,000 on plant construction 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. Weigao Blood, a subsidiary of the Group entered into a framework agreement and a joint venture agreement with Nikkiso to establish a strategic business alliance in haemodialysis business. The registered capital of the joint venture company is US$11,000,000. Weigao Blood will contribute US$5,610,000 (equivalent to RMB38,296,000) and will hold 51% equity interests in the joint venture company.

3. In light of the strong market potential of pre-filled syringes, the Group has started to work on acquiring a second pre-filled syringe production line during the Period. The expected cost of investment is RMB70,000,000.

4. In view of the demand for blood purification consumables, Weigao Blood has started the negotiation and commenced the initial preparation work of investing in second production line. The expected cost of investment will not exceed RMB100,000,000.

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 of 31 March 2010, and there was no material acquisition and disposal in any other subsidiary and associate during the Period.

Capital Commitment

As at 31 March 2010, the capital commitment of the Group contracted but not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB314,119,000, of which, total capital commitment related to plant investment was RMB219,302,000. The amounts will be paid from internal resources of the Group.

Outlook

During the Period under review, the Group faced various challenges in the areas of operation and development. Firstly, payment collection from customers has not improved. The pressure remains high for controlling long term credit risk. Secondly, since the end of last year, prices of PVC based raw materials began to surge. Prices of major raw materials increased by over 45% when compared with the same period last year. It put huge pressure on cost control and profitability of the conventional products of the Group. Thirdly, due to economic recovery, pressure is high on recruiting staff and increase in labour cost. Production expansion plan of the Group has been affected due to shortage of labour and thereby affected product supply to the market. Fourthly, due to intensified market competition, downward price adjustment and the expectation on downward adjustment on certain products are increasing. It will, to a certain extent, affect the profit growth of the Group. Fifthly, facing the emerging trade protectionism, the export markets encounter huge pressure with a number of cancelled orders, thereby affecting the export revenue in blood sampling and blood bag products. Lastly, with the launching of the growth enterprise market of the stock exchanges in China, the valuation of entire PRC healthcare industry surged significantly. It poses strong challenge to the Group in implementing its merger and acquisition strategy and added pressure on competition on the various product segments.

While facing unfavorable factors, the Group will fully leverage from its advantageous position in wide product ranges and diversified product lines and actively adjust its product mix to continuously consolidate its market position:

1. Increase the sales in high margin products, including safety intravenous catheters, high end infusion sets of minimal dosage, light proof and non PVC based infusion sets, plastic based blood sampling products and safety syringes, thereby transfer the pressure on cost increase and improving profitability.

2. Continue to focus on domestic market. With steady stable development of domestic market to backup the long term process of developing and expanding overseas market.

3. Continue to consolidate customer resources, centralise credit approval and allocation, raise the efficiency of added credit granted by promoting the sales of high value-added and high profit margin products, thereby offsetting the pressure from accounts receivables collection and transferring cost increase.

4. Under the current demand on high valuation, the Group will not actively pursue the mergers and acquisitions strategy. The Group will place more resources on orgainising training programs to cover the middle and low-end markets, consolidate the resources of distributors to provide channel support, and by stages extent the market coverage to China's fastest growing middle and low-end sectors.

5. Continue to drive international cooperation, seeking international partners to raise technology level and international market share. The Group strives for collaboration and win-win strategy to achieve strategically mapping out international market and wider coverage of domestic market.

6. Capitalize on the Group's research and development strengths, increase the investments in technological improvement, and increase automation with an objective of assimilating the rising labour cost in the long run.

With the launching of more upgraded products and new product series, the directors believe that the Group will continue to consolidate its leading position in the PRC market.

DISCLOSURE OF INTERESTS

Directors' Interests and Long Positions in Shares

As at 31 March 2010, the interests of Directors and their associates in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), 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	Types of interests	Capacity	Total number of domestic shares	Approximate percentage of the issued share capital of the Company
Mr. Zhang Hua Wei	Personal	Beneficial owner	8,100,000	0.75%
Mr. Miao Yan Guo	Personal	Beneficial owner	5,850,000	0.54%
Mr. Wang Yi	Personal	Beneficial owner	5,850,000	0.54%
Ms. Zhou Shu Hua	Personal	Beneficial owner	3,825,000	0.36%
Mr. Wang Zhi Fan	Personal	Beneficial owner	2,025,000	0.19%
Mr. Wu Chuan Ming	Personal	Beneficial owner	1,800,000	0.17%

In addition, Mr. Chen Lin, son of Mr. Chen Xue Li is a shareholder of the Company's 50,000 domestic Shares, representing 0.005% of the issue 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	Amount of capital contributed	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%

Other than as disclosed above, none of the Directors nor their associates had any interests or long positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at the date of this announcement.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, 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 domestic shares and H shares of the issued share capital of the Company.

Name of Shareholder	Capacity	Number of domestic shares	Number of H Shares	Approximate percentage of the Company's domestic shares	Approximate percentage of the Company's total issued share capital
Weigao Holding	Beneficial owner	532,438,919	–	82.10%	49.50%
Medtronic Inc.	Beneficial owner	80,721,081	80,721,081	12.50%	15.00%

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

Names of Substantial Shareholders	Number of H shares interested	Percentage of issued H share capital
Medtronic, Inc.	80,721,081(L)	18.9(L)
Atlantis Investment Management Limited	47,306,000(L)	11.0(L)
JPMorgan Chase & Co.	47,136,451(L)	11.0(L)
	46,788,457(P)	10.9(P)
FMR LLC	25,338,000(L)	5.9(L)

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Since the commencement of dealings in the H shares of the Company on GEM on 27 February 2004, the Company placed 52,900,000 new H Shares on 30 November 2005 and 30,000,000 new H shares on 19 April 2007. On 18 December 2008, the Company issued 80,721,081 new H Shares to Medtronic Holding Switzerland GmbH. Save as disclosed above, 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. Lo Wai Hung, Mr. Li Jia Miao, 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 three months ended 31 March 2010 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.

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.

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, Inc. 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.

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 31 March 2010, 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 three months ended 31 March 2010, the Company had adopted the code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all Directors and the Company was not aware of any noncompliance with the required standard of dealings and the model code of conduct regarding securities transactions by Directors.

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

Weihai, Shandong, 11 May 2010

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

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