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WEGO 威高

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: 1066)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2010

SUMMARY

For the year ended 31st December, 2010, the turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company" and together with its subsidiaries, the "Group") was approximately RMB2,462,557,000 (2009: RMB1,878,495,000), representing an increase of 31.1% over the previous year. Net profit attributable to the owners of the Company was approximately RMB799,072,000 (2009: RMB633,864,000), representing an increase of approximately 26.1% over the previous year.

During the year, the Group continued the strategy of improving the product mix, focusing on the business development of blood purification products, and increased the marketing and sales efforts on high value-added products such as intravenous catheters, high-end infusion sets and pre-filled syringes. The result was remarkable. Due to effective change in product mix, the Group further increased the gross profit margin to 55.2% from 53.3% in the previous year. The performance of the Group in four business segments was as follows:

(1) The growth momentum continued for the turnover of single use consumables, reaching approximately RMB1,981,247,000 for the year ended 31st December, 2010, representing an increase of 29.8% when compared with the previous year;

* *For identification purpose only*

(2) The turnover of orthopaedic business for the year was approximately RMB175,233,000, representing a growth of 39.9% when compared with the previous year. The Distribution Joint Venture with Medtronic, Inc. in orthopaedic products was running well and net profit attributable to the Group for the year was approximately RMB44,140,000, representing an increase of 39.7% when compared with the previous year;

(3) Weigao Blood, a subsidiary of the Company, recorded a turnover for the year of approximately RMB142,893,000, representing an increase of approximately 107.4% when compared with the previous year; and

(4) the stent business of 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, contributed approximately RMB155,587,000 to the profit of the Group, representing an increase of 42.3% when compared with the previous year.

The Directors recommended the payment of a final dividend of RMB0.075 (2009: RMB0.105) and proposed to distribute one bonus share for every existing share held. Both proposals are subject to approval by the shareholders of the Company ("Shareholders") at the forthcoming general meetings.

FULL YEAR RESULT

The board of Directors (the "Board") is pleased to announce the audited results of the Group for the year ended 31st December, 2010, together with the comparative figures for the year ended 31st December, 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December, 2010

	NOTES	**2010** *RMB'000*	2009 *RMB'000*
Revenue	*3*	**2,462,557**	1,878,495
Cost of sales		**(1,102,858)**	(877,236)
Gross profit		**1,359,699**	1,001,259
Other income, gains and losses	*7*	**104,158**	68,991
Distribution costs		**(501,324)**	(321,319)
Administrative expenses		**(262,188)**	(180,941)
Finance costs	*5*	**(9,658)**	(4,003)
Share of profit of jointly controlled entities		**153,057**	109,369
Share of profit of an associate		**44,140**	31,604
Profit before taxation		**887,884**	704,960
Income tax expense	*6*	**(85,532)**	(71,782)
Profit for the year		**802,352**	633,178
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**665**	216
Total comprehensive income for the year		**803,017**	633,394
Profit for the year attributable to:			
Owners of the Company		**799,072**	633,864
Non-controlling interests		**3,280**	(686)
		802,352	633,178
Total comprehensive income attributable to:			
Owners of the Company		**799,737**	634,080
Non-controlling interests		**3,280**	(686)
		803,017	633,394
			(Restated)
Earnings per share – basic	*9*	**RMB0.37**	RMB0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December, 2010

	NOTES	**2010** **RMB'000**	2009 RMB'000
Non-current assets			
Property, plant and equipment		**1,411,384**	1,166,751
Investment properties		**14,905**	15,497
Prepaid lease payments		**226,953**	232,521
Intangible assets		**20,849**	23,963
Interest in jointly controlled entities		**431,436**	240,389
Interest in an associate		**130,127**	65,268
Goodwill		**202,900**	202,900
Deferred tax asset		**12,505**	9,887
		2,451,059	1,957,176
Current assets			
Inventories	*10*	**380,222**	319,002
Trade and other receivables	*11*	**1,055,751**	852,192
Pledged bank deposits		**134,109**	100,258
Bank balances and cash		**628,223**	723,167
		2,198,305	1,994,619
Current liabilities			
Trade and other payables	*12*	**838,534**	771,565
Bank borrowings – repayable within one year		**26,418**	37,415
Tax payable		**41,872**	56,363
		906,824	865,343
Net current assets		**1,291,481**	1,129,276
		3,742,540	3,086,452
Capital and reserves			
Share capital	*13*	**215,256**	107,628
Reserves		**3,411,154**	2,832,055
Equity attributable to owners of the Company		**3,626,410**	2,939,683
Non-controlling interests		**7,463**	3,183
Total equity		**3,633,873**	2,942,866
Non-current liability			
Bank borrowings – repayable after one year		**88,303**	113,803
Other payable		**20,364**	29,783
		108,667	143,586
		3,742,540	3,086,452

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December, 2010

	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*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1st January, 2009	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
Dividend paid	–	–	–	–	(171,129)	(171,129)	–	(171,129)
Disposal of a subsidiary	–	–	–	–	–	–	(4,822)	(4,822)
Capital injection from minority shareholder	–	–	–	–	–	–	500	500
At 31st December, 2009	107,628	1,393,170	111,217	(637)	1,328,305	2,939,683	3,183	2,942,866
Profit for the year	–	–	–	–	799,072	799,072	3,280	802,352
Other comprehensive income for the year	–	–	–	665	–	665	–	665
Total comprehensive income for the year	–	–	–	665	799,072	799,737	3,280	803,017
Capital injection from minority shareholder	–	–	–	–	–	–	1,000	1,000
Transfer to statutory reserve	–	–	52,656	–	(52,656)	–	–	–
Dividend paid	–	–	–	–	(113,010)	(113,010)	–	(113,010)
Bonus issue of shares	107,628	(107,628)	–	–	–	–	–	–
At 31st December, 2010	215,256	1,285,542	163,873	28	1,961,711	3,626,410	7,463	3,633,873

Note: The Articles of Association of the companies comprising the Company and its subsidiaries incorporated in PRC 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 31st December, 2010

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 28th 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 City, Shandong Province, PRC.

The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27th February, 2004 and the listing of the shares has been transferred to the Main Board of the Stock Exchange since 29th July, 2010.

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 devices, orthopaedic products and blood purification 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").

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

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.

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)	Improvements to HKFRSs 2010[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[5]
HKFRS 9	Financial instruments[7]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[6]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendments)	Classification of rights issues[1]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[3]

1 *Effective for annual periods beginning on or after 1st February, 2010.*

2 *Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.*

3 *Effective for annual periods beginning on or after 1st July, 2010.*

4 *Effective for annual periods beginning on or after 1st January, 2011.*

5 *Effective for annual periods beginning on or after 1st July, 2011.*

6 *Effective for annual periods beginning on or after 1st January, 2012.*

7 *Effective for annual periods beginning on or after 1st January, 2013.*

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFR 9 "Financial instruments" (as revised in November 2010) add requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31st December 2013 and that the application of the new Standard will not have a significantly impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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 is principally engaged in the research and development, production and sale of single-use medical device products, orthopaedic products and blood purification products and operates in the PRC.

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

Principal activities of the Group's operating segments 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 purification products	–	production and sale of blood purification products and related medical equipment.

Segment revenues and results

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

2010

	Single use medical products *RMB'000*	**Orthopaedic products** *RMB'000*	**Blood purification products** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Revenue					
External sales	**2,077,602**	**175,233**	**209,722**	**–**	**2,462,557**
Inter-segment sales	**13,443**	**–**	**6,308**	**(19,751)**	**–**
Total	**2,091,045**	**175,233**	**216,030**	**(19,751)**	**2,462,557**
Segment profit	**520,807**	**54,237**	**24,092**	**–**	**599,136**
Unallocated expenses					**(594)**
Unallocated other income, gain and losses					**92,145**
Share of profit of jointly controlled entities					**153,057**
Share of profit of an associate					**44,140**
Profit before tax					**887,884**

Inter-segments sales are charged at prevailing market rates.

2009

	Single use medical products *RMB'000*	Orthopaedic products *RMB'000*	Blood purification products *RMB'000*	Eliminations *RMB'000*	Total *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
Profit before tax					704,960

Segment profit represents the profit earned by each segment without allocation of unallocated other income, gains and losses, unallocated expenses, share of profit of jointly controlled entities and share of profit of an associate. This is the measure reported to 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 operating segment:

2010

	Single use medical products *RMB'000*	**Orthopaedic products** *RMB'000*	**Blood purification products** *RMB'000*	**Consolidated** *RMB'000*
Assets				
Segment assets	**2,545,178**	**418,926**	**333,955**	**3,298,059**
Interest in an associate				**130,127**
Interest in jointly controlled entities				**431,436**
Investment properties				**14,905**
Deferred tax assets				**12,505**
Pledged bank deposits				**134,109**
Bank balances and cash				**628,223**
Consolidated assets				**4,649,364**
Liabilities				
Segment liabilities	**778,262**	**32,339**	**49,386**	**859,987**
Bank borrowings				**114,721**
Other payable relating to the acquisition of additional interest in a subsidiary				**40,783**
Consolidated liabilities				**1,015,491**

2009

	Single use medical products *RMB'000*	Orthopaedic products *RMB'000*	Blood purification 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
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 to the acquisition of additional interest in a subsidiary				38,726
Consolidated liabilities				1,008,929

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

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

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

Other segment information

2010

	Single use medical products *RMB'000*	Orthopaedic products *RMB'000*	Blood purification products *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	**295,503**	**6,795**	**37,437**	**339,735**
Allowance for bad and doubtful debts	**6,600**	**9,223**	**3,838**	**19,661**
Impairment loss on property, plant and equipment	**2,314**	**–**	**–**	**2,314**
Release of prepaid lease payment	**4,774**	**193**	**275**	**5,242**
Amortisation of intangible assets	**–**	**3,114**	**–**	**3,114**
Depreciation of property, plant and equipment	**64,163**	**13,087**	**13,113**	**90,363**
(Gain) loss on disposal of property, plant and equipment	**293**	**(79)**	**(85)**	**129**
Research and development expenditure	**84,236**	**9,728**	**6,078**	**100,042**
Government grant	**–**	**–**	**(21,197)**	**(21,197)**
Rebate of value added tax ("VAT")	**(35,000)**	**–**	**–**	**(35,000)**

2009

	Single use medical products *RMB'000*	Orthopaedic products *RMB'000*	Blood purification products *RMB'000*	Total *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 VAT	(33,434)	–	–	(33,434)

Revenue from major products

	2010	2009
	RMB'000	*RMB'000*
Sale of single use medical products		
– Infusion sets	**723,697**	524,830
– Syringes	**408,054**	319,186
– Pre-filled syringes	**97,676**	63,822
– Needles	**398,354**	328,524
– Blood bags and sampling products	**218,419**	182,292
– PVC granules	**60,179**	62,976
– Other products	**171,223**	138,818
Sale of orthopaedic products	**175,233**	125,262
Sale of blood purification products	**209,722**	132,785
	2,462,557	1,878,495

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 analysis of the carrying amount of segment assets, additions to property, plant and equipment and intangible assets is presented.

5. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Imputed interest expenses on other payable	**2,056**	2,507
Interest on bank borrowings wholly repayable within five years	**8,666**	3,801
Interest on bank borrowings wholly repayable after five years	**–**	823
Less: Amount capitalised in construction in progress	**(1,064)**	(3,128)
	9,658	4,003

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.88% (2009: 4.22%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
PRC Enterprise Income Tax	**88,150**	73,802
Deferred taxation	**(2,618)**	(2,020)
	85,532	71,782

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 Purification 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 year ended 31st December, 2010 and 2009. 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. Starting from the year ended 31st December, 2009, the Company is subject to income tax at a tax rate of 15%.

Jierui Subsidiary was recognised as a "Social Welfare Entity" and 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 taxable income 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, 2010 and 2009 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 subsequent three years. Weigao Ortho commenced its first profit-making year in 2006. For the year ended 31st December, 2010, Weigao Ortho was subject to income tax at a tax rate of 7.5% (2009: 7.5%).

Taxation for other PRC subsidiaries are calculated at a tax rate of 25% (2009: 25%).

No provision of Hong Kong taxation has been made for Weigao Medical International Co., Ltd, Weigao Medical Investment Company Limited and Weigao Medical Holding Company Limited as they did not have assessable profit in Hong Kong during both years.

No provision of overseas taxation has been made for Weigao Medical Europe Co., Ltd and Weigao Medical Germany Gmbh as they did not have assessable profit made during both years.

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

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	**887,884**	704,960
Taxation at the domestic income tax rate of 15% (2009: 15%)	**133,183**	105,744
Tax effect of share of profit of jointly controlled entities	**(22,959)**	(16,405)
Tax effect of share of profit of an associate	**(6,621)**	(4,741)
PRC income tax on concessionary rate	**(13,828)**	(11,842)
Tax effect of income not taxable for tax purpose	**(5,312)**	(3,322)
Additional tax benefit in research and development cost *(note)*	**(6,640)**	(3,737)
Utilisation of estimated tax losses previously not recognised	**(1,480)**	(1,049)
Tax effect of expenses not deductible for tax purpose	**6,602**	5,334
Effect of differential tax rate on the Company	**1,986**	492
Others	**601**	1,308
Taxation	**85,532**	71,782

Note: Additional tax allowance of RMB44,267,000 (2009: RMB24,913,000) was granted by the PRC tax authority in respect of the research and development cost incurred in new products.

7. OTHER INCOME, GAINS AND LOSSES

	2010	2009
	RMB'000	*RMB'000*
Rebate of VAT *(note a)*	**35,000**	33,434
Government grant *(note b)*	**21,197**	6,581
Gain arising from increase in share of net assets of an associate	**35,419**	22,137
Bank interest income	**5,572**	5,989
Rental income	**2,485**	2,255
Net exchange (loss) gain	**3,025**	(1,799)
Others	**1,460**	394
	104,158	68,991

Notes:

(a) As 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 RMB21,197,000 (2009: RMB6,581,000) was awarded to the Group for the research and development projects completed during the year.

8. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2010 Interim – RMB nil (2009: interim dividend – RMB0.072) per share	**–**	77,493
2009 Final – RMB0.105 (2009: 2008 final dividend – RMB0.087) per share	**113,010**	93,636
	113,010	171,129

The final dividend of RMB0.075 per share in respect of the year ended 31st December, 2010 (2009: final dividend of RMB0.105 per share in respect of the year ended 31st December, 2009) amounting to RMB161,442,000 (2009: RMB113,010,000) has been proposed by the directors. The directors also propose bonus issue of one share for every existing share. Both proposals are 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 RMB799,072,000 (2009: RMB633,864,000) and on weighted average of 2,152,562,000 shares (2009: weighted average of 2,152,562,000 shares) in issue during the year.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the one-for-one bonus issue for the calculation and restatement of basic earnings per share of the current year and prior year respectively.

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

10. INVENTORIES

	2010	2009
	RMB'000	*RMB'000*
At cost:		
Raw materials	**169,555**	144,940
Finished goods	**210,667**	174,062
	380,222	319,002

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**945,615**	774,007
Less: Allowance for bad and doubtful debts	**(77,375)**	(56,467)
	868,240	717,540
Bills receivable	**91,822**	63,063
Other receivables	**28,241**	27,977
Deposits and prepayments	**67,448**	43,612
	1,055,751	852,192

All the bills receivable will be matured within a period of 90-180 days.

Included in trade receivables are an amount due from a subsidiary of a shareholder of the Company and an amount due from an associate of RMB3,458,000 and RMB1,205,000 (2009: RMB676,000 and RMB4,225,000) respectively. The amounts are unsecured, interest-free and repayable on demand.

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.

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**542,565**	458,531
91 to 180 days	**212,710**	142,176
181 to 365 days	**72,920**	68,238
Over 365 days	**40,045**	48,595
Trade receivables	**868,240**	717,540

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB112,965,000 (2009: RMB116,833,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these trade receivables is 377 days and 382 days in the year of 2010 and 2009 respectively.

Ageing of trade receivables which are past due but not impaired:

	2010	2009
	RMB'000	*RMB'000*
181 to 365 days	**72,920**	68,238
Over 365 days	**40,045**	48,595
	112,965	116,833

The Group has provided fully for all receivables over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable.

Movement in the allowance for bad and doubtful debt:

	2010	2009
	RMB'000	*RMB'000*
Balance at beginning of year	**56,467**	43,735
Impairment losses recognised on receivables	**20,908**	13,013
Impairment losses reversed	**–**	(60)
Amounts written off as uncollectible	**–**	(221)
Balance at end of year	**77,375**	56,467

Bills receivables of approximately RMB78,578,000 (2009: RMB27,186,000) was endorsed with recourse to third parties at 31st December, 2010 and corresponding trade payables of RMB78,578,000 (2009: RMB27,186,000) were included in the consolidated statement of financial position accordingly.

At 31st December, 2010, the Group has pledged bills receivables having a carrying value of approximately RMB4,342,000 (2009: RMB14,654,000) to banks to secure bank borrowings granted to the Group.

Other receivables are unsecured, non-interest bearing and have no fixed term of repayment. In the opinion of the directors of the Company, the amounts are expected to be recovered in the next twelve months. The ageing analysis of other receivables net of allowance for bad and doubtful debts based on the invoice date is stated as follows:

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**16,621**	20,741
91 to 180 days	**3,343**	904
181 to 365 days	**3,196**	432
Over 365 days	**5,081**	5,900
	28,241	27,977

Included in other receivables is an amount due from immediate holding company of RMB131,000 (2009: RMB4,417,000). The amount is unsecured, interest-free and repayable on demand.

Movement in the allowance for bad and doubtful debt:

	2010	2009
	RMB'000	*RMB'000*
Balance at beginning of year	**2,770**	2,814
Impairment losses recognised on receivables	**53**	78
Impairment losses reversed	**(1,300)**	(120)
Amounts written off as uncollectible	**–**	(2)
Balance at end of year	**1,523**	2,770

Included in deposits and prepayments is an amount due from a jointly controlled entity of RMB147,000 (2009: RMB nil). The amount is unsecured, interest-free and repayable on demand.

Receivables that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances and with good credit quality.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default and with good credit quality.

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:

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**200,613**	127,115
91 to 180 days	**32,753**	58,136
181 to 365 days	**21,028**	36,491
Over 365 days	**8,691**	9,101
Trade payables	**263,085**	230,843
Bills payable	**328,130**	251,215
Consideration payable for the acquisition of additional interest in a subsidiary	**31,599**	81,029
Consideration payable for the acquisition of land use right and buildings	**12,308**	23,706
Other payables and accrued expenses	**203,412**	184,772
	838,534	771,565

The normal credit period taken for trade purchases is 90-120 days. All the bills payable will mature within six months.

Included in trade payables is amounts due to fellow subsidiaries of RMB840,000 (2009: RMB640,000). The amount is unsecured, interest-free and repayable on demand.

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, 2009 and 31st December, 2009	0.1	648,160,000	428,121,081	1,076,281,081	107,628
Bonus issue of shares *(Note a)*		648,160,000	428,121,081	1,076,281,081	107,628
At 31st December, 2010		1,296,320,000	856,242,162	2,152,562,162	215,256

Notes:

(a) On 26th October, 2010, 648,160,000 Non-listed Shares of RMB0.1 each and 428,121,081 H Shares of RMB0.1 each were issued by way of bonus issue on the basis of one bonus H Share for every existing H Share and one bonus Non-listed Share for every existing Non-listed Share held in the Company.

The bonus shares issued rank pari passu with the existing H Shares and Non-listed 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. The 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

During the year, the listing of the Company's H shares was transferred to the Main Board of the Stock Exchange and issue of bonus shares were completed. The listing of the Company's H shares was successfully transferred from the Growth Enterprise Market to the Main Board of Hong Kong Stock Exchange on 29th July, 2010. The bonus issue of one bonus share for every existing share held on 26th October, 2010 has been completed. The enlarged issued share capital of the Company is 2,152,562,162 shares.

International Collaboration

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

During the year, the Distribution Joint Venture with Medtronic in orthopaedic product was running well and net profit attributable to the Group for the year were approximately RMB44,140,000, representing an increase of 39.7% when compared with the previous year. In the OEM business co-operation, with good communication with the Medtronic management and the working teams during the integration process, the business was gradually developed, with the turnover for the year of approximately RMB16,256,000.

During the year, Weigao Blood, the subsidiary of the Company, obtained government approval to operate independent dialysis centers.

During the year, Weigao Blood, a subsidiary of the Group, established a strategic business alliance with Nikkiso Co., Ltd. in haemodialysis business. Weigao Blood contributed US$5,610,000 and established a joint venture company with Nikkiso Co., and holds 51% equity interest in the joint venture company. The registered capital of the joint venture company is US$11,000,000. The joint venture company produces hemodialysis machines and provides after-sales services in China. 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. During the year, the joint venture company has obtained the approval from the PRC government authorities and has been incorporated and has commenced operation.

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 further increased the gross profit margin to 55.2% from 53.3% 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. The Group recorded a turnover of approximately RMB1,981,247,000, representing an increase of 29.8% over the previous year. The Group recorded a continued growth in needle products, with turnover of approximately RMB398,354,000 during the year, representing an increase of 21.3% when compared with the previous year. The Directors believe that needle products will become an important area for continued development of the Company.

   Market development of specialized infusion set with dosage control device and infusion sets made of proprietary non PVC based material has also maintained the rapid growing momentum during the year. It drove the turnover of infusion sets of the Group to RMB723,697,000, representing an increase of 37.9% over the previous year. With the keen market competition for infusion sets, 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 has been operated smoothly and established a favourable position in market development. The turnover of pre-filled syringes for the year amounted to approximately RMB97,676,000, representing an increase of 53.0% over the previous year.

2. The blood purifications business of Weigao Blood, a subsidiary of the Company, has achieved fast growth and recorded a turnover for the year of approximately RMB142,893,000, representing an increase of approximately 107.4% when compared with the previous year; the Group planned to invest approximately RMB100,000,000 for purchasing the second polymer membrane dialysis device production line to expand the production capacity so as to meet the market demand. The Directors expect that the blood purification business will become an important direction and area for development of the Group.

3. The turnover of orthopaedic business for the year was approximately RMB175,233,000, representing a growth of 39.9% when compared with the previous year. The Distribution Joint Venture with Medtronic, Inc. in orthopaedic products was running well and net profit attributable to the Group for the year were approximately RMB44,140,000, representing an increase of 39.7% when compared with the previous year.

   As result of the aforesaid measures in adjusting the product mix, the percentage of turnover from high value-added products (products with gross profit margins of over 60%) of the Group to its total turnover maintained at 44.8% (2009: 44.6%).

4. The stent business of JW Medical, a 50% jointly owned entity of the Company, has sustained its fast growth trend, and contributed approximately RMB155,587,000 to the profit of the Group, representing an increase of 42.3% when compared with the previous year.

RESEARCH AND DEVELOPMENT

For the twelve months ended 31st December, 2010, the Group obtained 31 new patents and is applying for 33 new patents. Product registration certificates for 29 new products were obtained. Research and development were completed for 34 products for which application for product registration certificates are underway.

The operation strategy of placing strong emphasis on research and development has enhanced 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 31st December, 2010, the Group had over 190 product registration certificates and over 100 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 its investments in the research and development in expanding existing products ranges and new medical devices, so as to further improve its 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 31st December, 2010, total research and development expenses amounted to approximately RMB100,042,000 (2009: RMB77,676,000), representing 4.1% (2009: 4.1%) of the turnover of the Group.

PRODUCTION

For the year ended 31st December, 2010, the production volume of the Group's products as compared with the previous year is as follows:

		Twelve months ended 31st December		
	Measurement			Increase/
Product Type	**unit**	**2010**	2009	(Decrease) %
Needles	1,000 sets	**2,915,216**	2,325,686	25.3
Syringes	1,000 sets	**801,257**	657,967	21.8
Infusion sets	1,000 sets	**384,880**	340,538	13.0
Blood Sampling products *(note 1)*	1,000 sets	**135,330**	145,490	(7.0)
Pre-filled syringes	1,000 sets	**31,224**	24,640	26.7
Blood bags	1,000 pieces	**20,433**	18,446	10.8
PVC granules	Tons	**13,556**	12,878	5.3
Orthopaedic products *(note 2)*	1,000 pieces	**2,030**	2,421	(16.2)
Blood purification products	1,000 pieces	**1,162**	365	218.4
Others	1,000 sets	**345,330**	283,864	21.7

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 orthopaedic products was due to the reduction of inventory level by the Group and change in production mix of orthopaedic products.

During the year, the Group continued to implement strategy on product mix adjustment by increasing the proportion of high value added products while decreasing the production plan of low value added products with low rate of returns. This has enhanced the contribution rate for each type of products and 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 improved the efficiency of credit resources extended on account receivables. The results have been remarkable.

During the year, the Group consolidated its sales management system, strengthened the development momentum of direct sales, integrated customer resources and phased out low profitability customers. For the twelve months ended 31st December, 2010, the Group has secured new customers of 20 hospitals. The Group had transferred a number of small size medical units to be covered by its distributors. Those distributors of less competitiveness were being phased out or merged and became the second tier distributors. The number of other medical units decreased by 25 and corporate customers decreased by 80 from the previous year. As at the date of this announcement, the Group has a customer base of 5,055 (including 2,940 hospitals, 413 blood stations, 616 other medical units and 1,086 trading companies).

Comparison of the sales by geographical areas and the previous year is set out as follows:

Turnover by geographical segments

	For the twelve months ended 31st December			For the three months ended 31st December		
	2010	2009	*Growth*	**2010**	2009	*Growth*
	RMB'000	*RMB'000*	*%*	***RMB'000***	*RMB'000*	*%*
Region						
Northeast	**361,824**	272,654	32.7	**103,078**	79,266	30.0
Northern	**590,558**	448,059	31.8	**160,908**	122,261	31.6
Eastern and Central	**731,973**	563,430	29.9	**160,921**	134,456	19.7
Southwest	**196,589**	145,814	34.8	**55,055**	37,182	48.1
Northwest	**67,696**	58,866	15.0	**22,281**	19,159	16.3
Southern	**240,588**	202,879	18.6	**81,156**	67,388	20.4
Overseas	**116,498**	65,585	77.6	**39,159**	8,171	379.2
Shandong Meiwei (山東美威)	**156,831**	121,208	29.4	**46,570**	32,309	44.1
Total	**2,462,557**	1,878,495	31.1	**669,128**	500,192	33.8

The 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 and reduced selling expenses per customer significantly. Average sales per customer was increased by approximately 33.3% over the previous 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 year. During the year, 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 sales of the principal products with that of the previous year is set as follows:

	For the twelve months ended 31st December			**For the three months ended 31st December**		
Product category	**2010**	2009	Increase/ (Decrease)	**2010**	2009	Increase/ (Decrease)
	RMB'000	*RMB'000*	*%*	***RMB'000***	*RMB'000*	*%*
Self-produced Consumables						
Self-produced products						
– Infusion sets	**723,697**	524,830	37.9	**198,656**	145,834	36.2
– Syringes	**408,054**	319,186	27.8	**112,448**	76,514	47.0
– Needles	**398,354**	328,524	21.3	**103,165**	83,308	23.8
– Blood bags	**168,744**	139,966	20.6	**53,667**	40,003	34.2
– Blood sampling products	**49,675**	42,326	17.4	**15,063**	6,413	134.9
– Pre-filled syringes	**97,676**	63,822	53.0	**20,795**	14,801	40.5
– Other consumables	**135,047**	108,254	24.8	**19,623**	30,075	(34.8)
– Subtotal for consumables	**1,981,247**	1,526,908	29.8	**523,417**	396,948	31.9
Orthopaedic products	**175,233**	125,262	39.9	**51,895**	32,053	61.9
Blood purification products	**142,893**	68,887	107.4	**51,982**	21,538	141.4
PVC granules	**60,179**	62,976	(4.4)	**20,413**	17,074	19.6
Trading of medical equipment products	**66,829**	63,898	4.6	**11,010**	21,120	(47.9)
Other products	**36,176**	30,564	18.4	**10,411**	11,459	(9.1)
Total	**2,462,557**	1,878,495	31.1	**669,128**	500,192	33.8

HUMAN RESOURCES

As at 31st December, 2010, the Group employed a total of 7,233 employees. The breakdown by departments when compared with the previous year is as follows:

Department

	2010	2009
Production	**5,010**	4,770
Sales and marketing	**1,012**	904
Research and development	**731**	725
Finance and administration	**250**	242
Quality control	**129**	124
Management	**71**	68
Purchasing	**30**	29
Total	**7,233**	6,862

Save for the seven employees (including the company secretary) who reside in Hong Kong and Europe, all employees of the Group are resided in China. For the year, total cost of salaries, welfare and social benefits of the Group amounted to approximately RMB320,377,000 (2009: RMB204,248,000).

Remuneration System

The Group's remuneration policy has been determined based on its performance, changes in the local consumption level and competition in 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 31st December, 2010, the Group recorded a turnover of RMB2,462,557,000, representing an increase of 31.1% over the previous financial year and net profit attributable to shareholders was RMB799,072,000, representing an increase of 26.1% over the previous financial year.

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

Financial Summary

	Audited		
	2010	2009	Growth
	RMB'000	*RMB'000*	*%*
Turnover	**2,462,557**	1,878,495	31.1
Gross profit	**1,359,699**	1,001,259	35.8
Profit before interest, tax, depreciation and amortization *(note)*	**794,414**	642,749	23.6
Net profit attributable to shareholders	**799,072**	633,864	26.1

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

Liquidity and Financial Resources

The Group has maintained a sound financial position during the year. As at 31st December, 2010, the Group's cash and bank balance amounted to approximately RMB628,223,000. For the year ended 31st December, 2010, net cash flow from operating activities of the Group amounted to approximately RMB523,511,000. The Group has maintained a sound cash flow position.

During the year under review, the Group repaid bank borrowings of approximately RMB40,839,000 in total. As at 31st December, 2010, the Group had only the outstanding long-term borrowings from the International Finance Corporation ("IFC"). As at 31st December, 2010, the total amount of bank and other borrowings payable within one year was approximately RMB26,418,000 (including borrowing from IFC for RMB22,076,000 and bank loans secured by the pledge of bill receivables for RMB4,342,000) (2009: RMB37,415,000) and the total amount of bank and other borrowings payable after one year amounted to approximately RMB88,303,000 (2009: RMB113,803,000).

Total interest expenses of the Group for the year ended 31st December, 2010 were approximately RMB9,658,000 (2009: RMB4,003,000).

Gearing Ratio

As at 31st December, 2010, total net cash of the Group amounted to approximately RMB517,844,000 (2009: RMB586,603,000). The change in the total net cash was mainly due to increase in profit and capital expenditure in 2010.

Foreign Exchange Risks

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

Due to the change in exchange rates, foreign exchange gain equivalent to RMB3,025,000 for the year ended 31st December, 2010 was recognized (2009: foreign exchange loss equivalent to RMB1,799,000) by the Company.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31st December, 2010.

Material Investments in subsidiaries/Future material investment plans

1. According to the municipal planning of Weihai City, the industrial zone of the Group's medical consumables production plant will be re-zoned as commercial and residential use. Hence, during the year, the Group made an actual investment of approximately RMB455,610,000 on plant construction for the re-location of all of the medical consumables production plants in the next five years.

2. In light of the strong market potential of pre-filled syringes, during the year, the Group had started to work on acquiring the second pre-filled syringe production line and total budgeted investments amounted to approximately RMB70,000,000 and it is expected to commence operation in the second quarter of 2011.

3. In view of the strong demand on blood purification consumables, Weigao Blood had commenced the acquisition of the second production line. The total investment costs will be approximately RMB100,000,000 and it is expected to commence operation in the fourth quarter of 2011.

Save for the above material investment and investment plans, the Group had no material capital commitments or any future plans involving significant investments or capital assets acquisition as at 31st December, 2010, and there was no material acquisition and disposal in any other subsidiaries and associates during the year.

Capital commitment

As at 31st December, 2010, the capital commitment of the Group and the Company contracted but not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB328,961,000 (2009: RMB230,718,000), of which the capital commitment in relation to the re-location of plant amounted to approximately RMB193,323,000. The above amounts will be financed by the internal resources of the Group.

Pledge of the Group's Assets

As at 31st December, 2010, the Group had pledged the land use rights and buildings with a net book value of approximately RMB82,021,000 (2009: RMB84,593,000) and pledged bank deposits of RMB134,109,000 (2009: RMB100,258,000) to secure the bills and banking facilities granted to the Group.

Reserves and Distributable Reserves

As at 31st December, 2010, the total reserves of the Group amounted to RMB3,411,154,000 (2009: RMB2,832,055,000).

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 31st December, 2010, the distributable reserves of the Company were approximately RMB600,537,000 (2009: RMB409,134,000).

Review and Outlook

The year 2010 was the toughest year in the history of the Group. Firstly, there was no major improvement in the delay of settlement from customers. It was necessary to strike a balance in terms of sales growth, resources allocation and selection of different product categories from time to time to ensure the balance between short-term interests and long-term development. Secondly, the materials costs during the year were again increased significantly and the trend continues resulting in fairly low profit margin or loss making for majority of the conventional single use consumables. The Group continues to suppress such product sales so as to maintain a reasonable level of profit margin. It certainly has, to certain extent, had an impact on the growth in sales of conventional single use consumables. Furthermore, during the year, the Company faced drastic increase in labour cost and pressure in recruitment. Due to the speed up of business expansion of multinational companies in China market and the listing of industry players which are in common business areas of that of the Group in various capital markets, it has major impact on substantially speeds up the increase in salary and fringe benefits. The Group considers that a stable working team is fundamental to the continuous development of the Company. With this new market development in human resources, the Group promptly adjusted the salary and the policy on fringe benefits to retain a stable working team. The Group expects that continuous increase in labour costs and fringe benefits will be a major challenge. Through emphasis on innovation and increase in high value added products, the Company will maintain its long term competitive edge in the competitive environment. The Group will take into account the changes in the market and appropriately offer a long term competitive salary and fringe benefits to retain talents in the competitive market.

Looking forward to 2011, the Group believes that materials and labour costs will continue to increase significantly, but with a lowered growth rate based on the huge surge in 2010. With the continuous increase of capital investment in the healthcare industry, the receivables collection should be eased to a certain degree when compared with 2010. Competition in talent recruitment will be further intensified and the continuous talents shortage situation will remain. On the basis of the significant improvement of the remuneration and welfare levels of production staff in 2010, the Group will continue to face the pressure arising from the surge in remuneration and welfares for management, research and development, and sales staff in 2011. The shortage of conventional single use consumables and blood purification consumables production capacity will constraint further market development. The Group will accelerate on product mix adjustment and technological improvement, as well as raising the production capacity of existing equipment to satisfy the supply of the current market. Meanwhile, the Group will speed up the relocation of new factories to fully relieve the pressure in production capacity. Overall, 2011 will still be a tough year. The directors believe that the Group will place emphasis on the following aspects in 2011:

1. Continue to intensify more efforts on research and development of new products and product sales mix adjustment and consolidate the Group's competitive position in the PRC high-end market. The Group will strengthen the medical staff training and the selection and consolidation of distributors in the middle-end market, thereby laying a solid foundation for the Group's entry into the middle-end market after production capacity expansion in 2012.

2. Continue to focus on domestic market. Leverage on the stable development of domestic market to backup the long term process of developing and expanding overseas market. Fully capitalise on the customer resource strengths in the PRC high-end market, through international collaboration by ways of joint venture, co-operation, technology transfer, acquisitions and mergers, etc., thereby introducing technologies and further expanding product categories.

3. Capitalize on the Group's research and development strengths, continue to increase the investments in technological improvement, and increase automation with an objective of assimilating the rising labour cost and recruitment pressure in the long run. The Group will speed up the study and implementation of the long term incentive scheme for employees to share the success of the Group. The Group will continue to offer competitive salary and fringe benefits packages to retain and expand the work force.

With the launching of more upgraded products and new product series, gradual expansion of production capacity pressure and the entry into the middle-end market, the management believes that the Group will continue to consolidate its leading position in the PRC market. The Group and its employees are confident to face new challenges.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED 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 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 efficiently. 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 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 31st December, 2009 and the first three quarterly reports of the year 2010. On 15th March, 2011, the audit committee had reviewed and approved the financial statements for the year ended 31st December, 2010.

The unaudited quarterly and interim results and audited annual results for the year ended 31st December, 2010 have been reviewed by the audit committee, which was of the opinion that the preparation of such results had 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 18th 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.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has complied with the code provision of the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules throughout the year ended 2010, except for the deviation that Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment as subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company is fair and reasonable.

DIVIDENDS, BONUS ISSUE OF SHARES AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend a final dividend of RMB0.075 per share (inclusive of tax). The total amount of dividends to be distributed shall be approximately RMB161,442,000, 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 1st 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 Board has also proposed the bonus issue to its shareholders of H Shares and Non-listed Shares on the basis of one (1) bonus H Share for every one (1) H Share and one (1) bonus Non-listed Share for every one (1) existing Non-listed Share in issue on the record date. Details could be referred to the separate announcement dated 15th March, 2011. The proposal to declare and pay this final dividend and bonus issue of shares will be submitted to the shareholders of the Company at the forthcoming general meetings to be held on Tuesday, 7th June, 2011. 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 Friday, 6th May 2011 to Tuesday, 7th June, 2011 (both days inclusive) during which no transfer of H Shares will be registered. In order to qualify for entitlement to the proposed final dividend, proposed bonus issue of shares and for attending and for voting in the forthcoming general meetings 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 Thursday, 5th May, 2011. The final dividend will be distributed on or before 30th June, 2011.

ANNUAL GENERAL MEETING, SPECIAL GENERAL MEETING AND CLASS MEETINGS

The annual general meeting, special general meeting and class meetings of the Company will be held at 9:00 a.m., 9:15 a.m. and 9:30 a.m. respectively on Tuesday, 7th June, 2011 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

15th March, 2011
Weihai, Shandong Province, the PRC

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. Li Jia Miao *(Independent non-executive Director)*
Mr. Lo Wai Hung *(Independent non-executive Director)*