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**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 31 DECEMBER 2015**

**SUMMARY**

For the year ended 31 December 2015 (the "Year"), the turnover of Shandong Weigao Group Medical Polymer Company Limited (the "Company" and together with its subsidiaries, the "Group") was approximately RMB5,918,930,000 (2014: RMB5,277,827,000), representing an increase of 12.1% over the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB1,149,840,000 (2014: net profit attributable to the owners of the Company (excluding extraordinary items) of approximately RMB984,073,000), representing an increase of approximately 16.8% over the previous year.

During the Year, the performance of the Group in three business segments was as follows:

- (1) turnover of medical consumables of the Group reached approximately RMB4,342,506,000 for the year ended 31 December 2015, representing an increase of 9.8% when compared with the previous year;
- (2) turnover of orthopaedic products of the Group for the year ended 31 December 2015 was approximately RMB657,702,000, representing an increase of 11.1% when compared with the previous year;

\* For identification purpose only

(3) turnover of haemodialysis consumables and equipment for the Year was approximately RMB918,722,000, representing an increase of 26.0% when compared with the previous year. Loss attributable to the Group from Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd. (“Weigao Nikkiso”), which is 51% held by the Group, amounted to approximately RMB2,073,000 (2014: attributable profit of RMB6,561,000); The Group holds the 50% equity interest in Weigao Terumo (Weihai) Medical Products Co., Ltd. (“Weigao Terumo”). The operation of Weigao Terumo is still at its preparation stage. During the Year, loss attributable to the Group was approximately RMB1,885,000 (2014: attributable loss of approximately RMB1,639,000).

The Directors recommended the payment of a final dividend of RMB0.036 per share (2014: RMB0.035), which is subject to the approval by the shareholders of the Company (“Shareholders”) at the forthcoming general meeting.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2015*

	<i>NOTES</i>	<b>2015</b>	2014
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue		<b>5,918,930</b>	5,277,827
Cost of sales		<b><u>(2,403,372)</u></b>	<u>(2,173,518)</u>
Gross profit		<b>3,515,558</b>	3,104,309
Other income, gains and losses	4	<b>96,238</b>	173,910
Selling and distribution costs		<b>(1,544,998)</b>	(1,417,460)
Administrative expenses		<b>(393,316)</b>	(324,333)
Research and development expenses		<b>(292,658)</b>	(238,100)
Finance costs	5	<b>(44,497)</b>	(22,705)
Share of (loss) profit of joint ventures		<b>(3,958)</b>	4,922
Share of profit (loss) of an associate		<b>601</b>	(4,879)
Gain on disposal of a subsidiary		<b><u>2,535</u></b>	<u>–</u>
Profit before taxation		<b>1,335,505</b>	1,275,664
Income tax expense	6	<b><u>(186,647)</u></b>	<u>(180,844)</u>
Profit for the year		<b><u><u>1,148,858</u></u></b>	<u><u>1,094,820</u></u>
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations			
– subsidiaries		<b><u>7,557</u></b>	<u>490</u>
Total comprehensive income for the year		<b><u><u>1,156,415</u></u></b>	<u><u>1,095,310</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (CONTINUED)**

*FOR THE YEAR ENDED 31 DECEMBER 2015*

	<i>NOTES</i>	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		<b>1,112,736</b>	1,084,948
Non-controlling interests		<b>36,122</b>	9,872
		<b><u>1,148,858</u></b>	<u>1,094,820</u>
Total comprehensive income attributable to:			
Owners of the Company		<b>1,120,293</b>	1,085,438
Non-controlling interests		<b>36,122</b>	9,872
		<b><u>1,156,415</u></b>	<u>1,095,310</u>
Earnings per share	<i>9</i>		
Basic ( <i>RMB yuan per share</i> )		<b><u>0.25</u></b>	<u>0.24</u>
Diluted ( <i>RMB yuan per share</i> )		<b><u>0.25</u></b>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	<i>NOTES</i>	<b>31/12/2015</b>	31/12/2014
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>4,965,944</b>	4,154,071
Investment properties		<b>53,186</b>	30,619
Deposits paid for acquiring property, plant and equipment		<b>45,373</b>	134,559
Prepaid lease payments		<b>476,866</b>	469,326
Intangible assets		<b>10,475</b>	13,590
Interests in joint ventures	<i>10</i>	<b>108,241</b>	112,199
Interests in an associate	<i>11</i>	–	123,579
Available-for-sale investments		<b>25,659</b>	–
Goodwill		<b>202,900</b>	202,900
Deferred tax assets		<b>44,270</b>	30,229
Other receivables – receivable after one year		<b>29,626</b>	–
		<b><u>5,962,540</u></b>	<u>5,271,072</u>
<b>Current assets</b>			
Inventories	<i>12</i>	<b>850,593</b>	914,519
Trade and other receivables	<i>13</i>	<b>2,947,787</b>	2,987,661
Pledged bank deposits	<i>14</i>	<b>46,173</b>	110,770
Bank balances and cash	<i>15</i>	<b>3,712,153</b>	2,786,085
		<b><u>7,556,706</u></b>	<u>6,799,035</u>
<b>Current liabilities</b>			
Trade and other payables	<i>16</i>	<b>1,571,379</b>	1,676,632
Borrowings – repayable within one year		<b>369,900</b>	270,600
Tax payable		<b>52,920</b>	51,699
Deferred income-current portion		<b>7,436</b>	4,000
		<b><u>2,001,635</u></b>	<u>2,002,931</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*AT 31 DECEMBER 2015*

	<i>NOTES</i>	<b>31/12/2015</b> <b>RMB'000</b>	31/12/2014 <i>RMB'000</i>
Net current assets		<u>5,555,071</u>	<u>4,796,104</u>
		<b><u>11,517,611</u></b>	<b><u>10,067,176</u></b>
Capital and reserves			
Share capital	<i>17</i>	<b>447,637</b>	447,637
Reserves		<u>10,210,540</u>	<u>9,400,268</u>
Equity attributable to owners of the Company		<b>10,658,177</b>	9,847,905
Non-controlling interests		<u>128,646</u>	<u>31,686</u>
Total equity		<u>10,786,823</u>	<u>9,879,591</u>
Non-current liability			
Borrowings – repayable after one year		<b>649,200</b>	149,100
Deferred income		<u>81,588</u>	<u>38,485</u>
		<u>730,788</u>	<u>187,585</u>
		<b><u>11,517,611</u></b>	<b><u>10,067,176</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

### 1. GENERAL

Shandong Weigao Group Medical Polymer Company Limited (the “Company”) was established and registered as a joint stock company with limited liability in the People’s Republic of China (the “PRC”) under the Company Law of the PRC on 28 December 2000. Its immediate and ultimate holding company is Weigao Holding Company Limited (“Weigao Holding”), a company registered in the PRC with limited liability. Its ultimate controlling party is Chen Xueli. The address of the registered address and the principal place of business is 18 Xing Shan Road, Weihai, Shandong Province, PRC.

The Company’s shares had been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 27 February 2004 and the listing of the shares has been transferred to the Main Board of the Stock Exchange since 29 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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the amendments to standards in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## **New and revised HKFRSs in issue but not yet effective**

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>5</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>5</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2018.*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2019.*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2016.*

<sup>4</sup> *Effective for annual periods beginning on or after a date to be determined.*

<sup>5</sup> *Effective for annual periods beginning on or after 1 January 2017.*

### **HKFRS 9 *Financial Instruments***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.



One of the key requirements of HKFRS 9 that are applicable to the Group includes the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company are of the view that the application of HKFRS 9 will not have a significant impact on the classification and measurement of the Group's financial assets and financial liabilities except for the expected credit loss model which may result in early provision of credit losses on some of the Group's financial assets which are not yet incurred. However, it is not practicable to provide a reasonable estimate of the effect from using an expected credit loss model in respect of its financial assets until a detailed review has been completed.

### ***HKFRS 15 Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may not have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company do not anticipate that the application of the other amendments will have a material effect on the Group’s consolidated financial statements.

### **HKFRS 16 Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors anticipate that the application of HKFRS 16 in the future may have a material impact on the amounts reported and/or disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group performs a detailed review.

Other than set out above, the Directors do not anticipate that the application of other new and revised HKFRSs will have a material impact on amounts reported in the Group’s consolidated financial statements and/or disclosures set out these consolidated financial statements.

### 3. 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 device products, orthopaedic products and blood purification products. These divisions are the basis of the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Managing Director) 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 device products – production and sale of single use consumables such as infusion sets, syringes 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:

#### 2015

	Single use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue					
External sales	4,342,506	657,702	918,722	–	5,918,930
Inter-segment sales	16,058	1,841	5,967	(23,866)	–
Total	<u>4,358,564</u>	<u>659,543</u>	<u>924,689</u>	<u>(23,866)</u>	<u>5,918,930</u>
Segment profit	<u>928,044</u>	<u>259,099</u>	<u>83,772</u>	<u>–</u>	<u>1,270,915</u>
Unallocated expenses					(2,139)
Unallocated other income, gains and losses					2,468
Bank interest income					65,083
Share of loss of joint ventures					(3,958)
Share of profit of an associate					601
Gain on disposal of a subsidiary					<u>2,535</u>
Profit before taxation					<u>1,335,505</u>

2014

	Single use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue					
External sales	3,956,722	591,830	729,275	–	5,277,827
Inter-segment sales	<u>13,744</u>	<u>64</u>	<u>2,208</u>	<u>(16,016)</u>	<u>–</u>
Total	<u>3,970,466</u>	<u>591,894</u>	<u>731,483</u>	<u>(16,016)</u>	<u>5,277,827</u>
Segment profit	<u>917,247</u>	<u>258,454</u>	<u>54,691</u>	<u>–</u>	<u>1,230,392</u>
Unallocated expenses					(1,006)
Unallocated other income, gains and losses					2,397
Bank interest income					43,838
Share of profit of joint ventures					4,922
Share of loss of an associate					<u>(4,879)</u>
Profit before taxation					<u>1,275,664</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of expenses, other income, gains and losses of the corporate function, share of (loss) profit of joint ventures, share of profit (loss) of an associate and gain on disposal of an subsidiary. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

## Segment assets and liabilities

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

2015

	Single use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Segment assets	<u>6,332,170</u>	<u>909,101</u>	<u>2,288,293</u>	9,529,564
Available-for-sale investments				25,659
Interests in joint ventures				108,241
Investment properties				53,186
Deferred tax assets				44,270
Pledged bank deposits				46,173
Bank balances and cash				<u>3,712,153</u>
Consolidated assets				<u>13,519,246</u>
Liabilities				
Segment liabilities	<u>1,886,598</u>	<u>142,844</u>	<u>702,981</u>	<u>2,732,423</u>

2014

	Single use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Segment assets	<u>6,256,746</u>	<u>788,993</u>	<u>1,830,887</u>	8,876,626
Interests in an associate				123,579
Interests in joint ventures				112,199
Investment properties				30,619
Deferred tax assets				30,229
Pledged bank deposits				110,770
Bank balances and cash				<u>2,786,085</u>
Consolidated assets				<u>12,070,107</u>
Liabilities				
Segment liabilities	<u>1,424,046</u>	<u>92,768</u>	<u>673,702</u>	<u>2,190,516</u>

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, available-for-sale investments, interest in joint ventures and interests in an associate; and
- all liabilities are allocated to operating segments other than other payables relating to the acquisition of additional interest in a subsidiary.

## Other segment information

2015

	Single use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	470,029	109,140	607,987	1,187,156
Allowance for bad and doubtful debts	19,812	2,761	5,603	28,176
Release of prepaid lease payment	7,483	193	2,391	10,067
Amortisation of intangible assets	–	3,115	–	3,115
Depreciation of property, plant and equipment	176,089	48,576	86,453	311,118
(Gain) loss on disposal of property, plant and equipment	(2,738)	8	4,735	2,005
Research and development expenditure	207,151	57,738	27,769	292,658
Government grant	(3,290)	(4,003)	(6,579)	(13,872)
Rebate of value added tax (“VAT”)	(40,585)	–	–	(40,585)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

2014

	Single use medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Blood purification products <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	315,394	138,789	302,367	756,550
Allowance for bad and doubtful debts	15,753	1,905	5,363	23,021
Release of prepaid lease payment	8,864	193	2,420	11,477
Amortisation of intangible assets	–	3,115	–	3,115
Depreciation of property, plant and equipment	153,725	34,464	52,174	240,363
Gain on disposal of land use right	(118,676)	–	–	(118,676)
(Gain) loss on disposal of property, plant and equipment	(46)	(50)	947	851
Research and development expenditure	168,395	46,642	23,063	238,100
Government grant	(1,541)	(577)	(6,956)	(9,074)
Rebate of value added tax (“VAT”)	(39,113)	–	–	(39,113)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Revenue from major products

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Sale of single use medical device products		
– Infusion sets	1,604,191	1,480,807
– Syringes	689,892	657,618
– Pre-filled syringes	278,180	241,903
– Needles	821,676	731,691
– Blood bags and sampling products	390,217	342,841
– PVC granules	55,543	58,057
– Other products	502,807	443,805
Sale of orthopaedic products	657,702	591,830
Sale of blood purification products	918,722	729,275
	<u>5,918,930</u>	<u>5,277,827</u>

## 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 geographical analysis of non-current assets and revenue is presented.



#### 4. OTHER INCOME, GAINS AND LOSSES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Rebate of VAT ( <i>i</i> )	40,585	39,113
Allowances for bad and doubtful debts	(28,176)	(23,021)
Government grant ( <i>ii and iii</i> )	13,872	9,074
Bank interest income	65,083	43,838
Rental income	7,835	5,519
Net exchange loss	(3,424)	(20,835)
Gain on disposal of land use right	–	118,676
Loss on disposal of property, plant and equipment	(2,005)	(851)
Others	2,468	2,397
	<u>96,238</u>	<u>173,910</u>

*Note:*

- i As Weihai Jierui Medical Products Company Limited (“Jierui”) was recognised as a “Social Welfare Entity”, the Tax Bureau in Weihai granted a rebate of the value added tax paid by Jierui with effect from 1 May 1999 on the basis of “payment first then rebate”. Pursuant to Caishui [2007] No.92 issued by the State Council, with effect from 1 July 2007, Jierui 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 as rebate of value added tax but subject to an annual maximum limit of RMB35,000 per staff with physical disability.
- ii During the year, government grants of RMB8,395,000 (2014: RMB4,397,000) in aggregate were awarded to the Group mainly for specific research and development projects completed during the year ended 31 December 2015 and were recognised as income when the government grants were received. The detail are as follows:
- 1) Pursuant to the Notice on Releasing 2015 Shandong Province Technology Key Specific Plan (Carry-over Part) Lukezi [2015] No.78, the Company was bestowed RMB1,000,000 carry-over fund of Biological Coating Membrane Oxygenator Project by the Science and Technology Bureau of Shandong and Finance Bureau of Shandong and was recognised as other income during the year ended 31 December 2015.

- 2) Pursuant to the Notice on 2014 Projects Approval of National Technology Support Plan in Population and Health Area, Weigao Blood was received RMB1,840,000 as subsidies of the Cardiovascular Disease Medical Device and Blood Purification Products Development Project, which was recognised as other income during the year ended 31 December 2015.
- 3) Pursuant to Weicaiyu [2015] No. 34, Shandong Weigao Orthopaedic Device Company Limited ("Weigao Ortho") received Economic Development Subsidies of RMB2,260,000 by Weihai Huancui District Finance Bureau, which were recognised as other income during the year ended 31 December 2015 when received.
- 4) During the year ended 31 December 2015, subsidies of RMB620,000 from the Finance Secretary of the Department of Science and Technology were granted to Weigao Blood and were recognised as other income during the year ended 31 December 2015.
- 5) During the year ended 31 December 2015, the Group received other miscellaneous government grants amounting to RMB592,000, which were recognized as other income when received.
- 6) During the year ended 31 December 2015, miscellaneous subsidies of RMB2,083,000, of which individual amount was below RMB500,000, were awarded to the Group by different levels of government entities, which were recognised as other income during the year ended 31 December 2015 when received.
- 7) During the year ended 31 December 2014, grants of RMB400,000 was bestowed upon the Company by Weihai Huancui District Bureau of Science and Technology and was recognized as other income during the year ended 31 December 2014 when received.
- 8) Pursuant to the Notice on the Execution of Talent Program Industry Project Weirenzufa [2013] No. 2, Weihai Talent Program Leading Group assigned the Vice-Director of the Research and Development Center of Shandong Weigao Orthopaedic Device Company Limited ("Weigao Ortho") as Distinguished Expert of the Talent Program Industry Project, and awarded the Group RMB100,000, which was recognized as other income during the year ended 31 December 2014 when received.
- 9) During the year ended 31 December 2014, patent award funds of RMB7,000 was granted to Weigao Ortho by the Intellectual Property Office of Shandong Province and was recognized as income during the year ended 31 December 2014 when received.

- 10) During the year ended 31 December 2014, subsidies of RMB50,000 and RMB20,000 were awarded to the Company by the Station of Finance of Wujin District as the grant of "the 2014 Second Batch Technology Development Reward of Changzhou City Wujin District" (Wucaigongmao [2014] No. 12) and "the 2014 Engineering Technology Research Center Reward of Changzhou City Wujin District" (Wucaigongmao [2014] No. 20), separately. Both grants were recognised as other income during the year ended 31 December 2014 when received.
  - 11) During the year ended 31 December 2014, Weigao Group (Weihai) Medical Products Marketing Co., Ltd. (Weigao Marketing) received a grant of RMB50,000.00 from Weihai Bureau of Finance and were recognized as other income during the year ended 31 December 2014 when granted.
  - 12) Pursuant to the Notice of Granting the Leading Company Industrial Supporting Fund [2014-5-5-16] of the Shanghai Huangpu Financial Service Office, Weihai Weigao Blood Purification Products Company Limited ("Weigao Blood") was bestowed RMB630,000 as 2013 Leading Company Industrial Supporting Fund, which were recognized as other income during the year ended 31 December 2014.
  - 13) During the year ended 31 December 2014, subsidies of RMB940,000 from the Finance Secretary of the Department of Science and Technology was granted to Weigao Blood and were recognized as other income during the year ended 31 December 2014.
  - 14) Pursuant to Weicaijianzhi[2014] No. 12, Shandong Weigao Holding Company Limited ("Weigao Holding") was granted RMB1,000,000 as subsidies of the Internet Service Construction, which were recognized as other income during the year ended 31 December 2014.
  - 15) Pursuant to Weicaijianzhi[2014] No. 64, Service Industry Development Pilot Fund RMB1,200,000 was bestowed to Weigao Holding and were recognized as other income during the year ended 31 December 2014 when received.
- iii During the year ended 31 December 2015, the release of government grants related to assets amounting to RMB5,477,000 (2014: RMB4,677,000) is recognised as other income.

## 5. FINANCE COSTS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Interest on borrowings wholly repayable within five years	47,519	28,658
Less: Amount capitalised in construction in progress	<u>(3,022)</u>	<u>(5,953)</u>
	<u><b>44,497</b></u>	<u><b>22,705</b></u>

## 6. INCOME TAX EXPENSE

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
PRC Enterprise Income Tax		
Current tax	200,809	186,927
(Overprovision) underprovision in prior years	(121)	1,312
Deferred taxation	<u>(14,041)</u>	<u>(7,395)</u>
	<u><b>186,647</b></u>	<u><b>180,844</b></u>

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 PRC subsidiaries is 25%.

The Company, Jierui, Weigao Ortho and Weigao Blood Purification were recognised as Shandong Province New and High Technical Enterprises (山東省高新技術企業) from the year 2014 to 2016. 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%.

Jierui has been recognised as a "Social Welfare Entity" and pursuant to Caishui [2007] No. 92 issued by the State Council, with effect from 1 July 2007. Jierui 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 and the rebate of value added tax is exempted from the PRC income tax. Jierui is subject to income tax at a tax rate of 15%. The tax charge provided for the years ended 31 December 2015 and 2014 were made after taking these tax incentives into account.

No provision of Hong Kong taxation has been made for Weigao International Medical Company Limited, Wego Medical Investment Company Limited, Wego Medical Holding Company Limited, Lucky Goal Limited and Champion Falcon 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) Company Limited, Wellford Capital Limited, Better City Limited and Weigao Medical Germany GmbH as they did not have assessable profit during both years.

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

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Profit before taxation	<b><u>1,335,505</u></b>	<u>1,275,664</u>
Taxation at the domestic income tax rate of 15% (2014: 15%)	<b>200,326</b>	191,350
Tax effect of share of loss (profit) of joint ventures	<b>594</b>	(738)
Tax effect of share of (profit) loss of an associate	<b>(90)</b>	732
Tax effect of income not taxable for tax purpose	<b>(12,306)</b>	(8,129)
Additional tax benefit in research and development cost ( <i>note</i> )	<b>(17,608)</b>	(18,000)
Additional tax benefit to a social welfare entity	<b>(5,572)</b>	(5,298)
Utilisation of tax losses previously not recognised	<b>(68)</b>	(488)
Utilisation of deductible temporary difference previously not recognised	–	(187)
Tax effect of tax losses and deductible temporary difference not recognised	<b>5,983</b>	4,848
Tax effect of expenses not deductible for tax purpose	<b>12,882</b>	13,605
Effect of differential tax rate on the Group	<b>2,627</b>	1,837
Additional tax paid in respect of the prior year	<b>(121)</b>	1,312
Taxation	<b><u>186,647</u></b>	<u>180,844</u>

*Note:* Additional tax allowance was granted by the PRC tax authority in respect of the research and development cost of RMB117,387,000 (2014: RMB120,000,000) incurred in new products.

## 7. PROFIT FOR THE YEAR

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Allowances for bad and doubtful debts	28,176	23,021
Amortisation of intangible assets	3,115	3,115
Auditors' remuneration	3,601	3,140
Depreciation of property, plant and equipment	311,118	240,363
Depreciation of investment properties	2,139	1,006
Prepaid lease payments charged to profit or loss	10,067	11,477
Rental payments in respect of premises under operating leases	12,633	11,417
Research and development expenditure (including staff costs of RMB122,552,000 (2014: RMB95,969,000))	292,658	238,100
Cost of inventories recognised as an expense	2,403,372	2,173,518
Staff costs, including directors' and supervisors' remuneration		
– Retirement benefits scheme contributions	83,317	62,364
– Salaries and other allowances	1,058,419	922,568
	<hr/>	<hr/>
Total staff costs	1,141,736	984,932
Loss on disposal of property, plant and equipment	2,005	851
Gain on disposal of land use right	–	(118,676)
	<hr/> <hr/>	<hr/> <hr/>

## 8. DIVIDENDS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2015 Interim – RMB0.039 (2014: interim dividend – RMB0.031) per share	174,579	138,768
2014 Final – RMB0.035 (2013: final dividend – RMB0.031) per share	156,673	138,768
	<hr/>	<hr/>
	331,252	277,536
	<hr/> <hr/>	<hr/> <hr/>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of RMB0.036 (2014: RMB0.035) per share, amounting to RMB161,149,000 (2014: RMB156,673,000) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the each of reporting period is based on the following data:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
<b>Earnings</b>		
Profit for the year attributable to owners of the Company	<u>1,112,736</u>	<u>1,084,948</u>
	2015 <i>'000</i>	2014 <i>'000</i>
<b>Number of shares</b>		
Number of shares for the purpose of basic earnings per share	<u>4,476,372</u>	<u>4,476,372</u>
Effect of dilutive potential ordinary shares:		
Incentive shares ( <i>in thousands</i> )	<u>1,384</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,477,754</u>	<u>N/A</u>

No diluted earnings per share is presented for the year ended 31 December 2014 as the Company does not have any potential ordinary shares outstanding during the year.

## 10. INTERESTS IN JOINT VENTURES

	31/12/2015 <i>RMB'000</i>	31/12/2014 <i>RMB'000</i>
Cost of unlisted investment, at cost	117,990	117,990
Share of post-acquisition loss	<u>(9,749)</u>	<u>(5,791)</u>
	<u>108,241</u>	<u>112,199</u>

Details of the Group's joint ventures as at 31 December 2015 and 2014 are as follows:

Name	Form of business structure	Place of incorporation or registration/ operation	Proportion of nominal value of registered capital held by the Group		Principal activities
			2015	2014	
Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd. ("Weigao Nikkiso") (i)	Sino-foreign joint venture	PRC	51%	51%	Manufacture, sale and after-sale service of Nikkiso technology-based medical products
Weigao Terumo (Weihai) Medical Products Co., Ltd. ("Weigao Terumo") (ii)	Sino-foreign joint venture	PRC	50%	50%	Production and sales of medical products

*Note:*

- i Pursuant to the terms in the Weigao Nikkiso Co-operation Agreement between the shareholders, the registered capital of USD5,610,000 (equivalent to RMB37,990,000) was contributed by Weigao Blood Purification and USD5,390,000 (equivalent to RMB36,500,000) was contributed by Nikkiso Company Limited (日本日機裝株式會社) ("Nikkiso"). Under the Memorandum and Article of Weigao Nikkiso, Weigao Blood Purification is entitled to 50% voting right and has 51% rights to the net assets of Weigao Nikkiso, thus investment in Weigao Nikkiso is classified as investment in joint venture.
- ii Weigao Terumo was established on 6 December 2012. Pursuant to the terms in the Weigao Terumo Agreement between the shareholders, the registered capital of RMB160,000,000 is to be contributed by Weigao Blood Purification and Terumo (China) Investment Company Limited (泰爾茂(中國)投資有限公司) ("Terumo"). Under the Memorandum and Article of Weigao Terumo, Weigao Blood Purification is entitled to 50% voting right and has 50% rights to the net assets of Weigao Terumo, thus investment in Weigao Terumo is classified as investment in joint venture. As at 31 December 2015, Weigao Blood Purification and Terumo have contributed their respective share of registered capital of RMB80,000,000.

Summarised financial information in respect of the Group's joint ventures is set out below. The summarised financial information represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.



**Weigao Nikkiso**

	<b>31/12/2015</b> <i>RMB'000</i>	31/12/2014 <i>RMB'000</i>
Current assets	<u><u>87,038</u></u>	<u><u>77,624</u></u>
Non-current assets	<u><u>17,265</u></u>	<u><u>18,948</u></u>
Current liabilities	<u><u>(28,140)</u></u>	<u><u>(22,375)</u></u>

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	<u><u>17,156</u></u>	<u><u>13,861</u></u>
	<b>Year ended</b> <b>31/12/2015</b> <i>RMB'000</i>	Year ended 31/12/2014 <i>RMB'000</i>
Revenue	<u><u>131,389</u></u>	<u><u>111,755</u></u>
Profit for the year	<u><u>1,966</u></u>	<u><u>12,865</u></u>

The above profit for the year include the following:

	<b>Year ended</b> <b>31/12/2015</b> <i>RMB'000</i>	Year ended 31/12/2014 <i>RMB'000</i>
Depreciation and amortisation	<u><u>2,680</u></u>	<u><u>2,454</u></u>
Interest income	<u><u>51</u></u>	<u><u>54</u></u>
Income tax expense	<u><u>2,683</u></u>	<u><u>–</u></u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in Weigao Nikkiso recognised in the consolidated financial statements:

	<b>31/12/2015</b>	31/12/2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Net assets of Weigao Nikkiso	<b>76,163</b>	74,197
Proportion of the Group's ownership interest in Weigao Nikkiso (%)	<b>51</b>	51
The effect of net profit adjustments caused by the offset of unrealised insider trading	<u><b>(3,076)</b></u>	<u>–</u>
Carrying amount of the Group's interest in Weigao Nikkiso	<u><b>35,767</b></u>	<u>37,840</u>
<b>Weigao Terumo</b>		
	<b>31/12/2015</b>	31/12/2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current assets	<u><b>24,435</b></u>	<u>60,430</u>
Non-current assets	<u><b>131,122</b></u>	<u>91,207</u>
Current liabilities	<u><b>(10,608)</b></u>	<u>(2,919)</u>
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	<u><b>11,150</b></u>	<u>56,439</u>
	<b>Year ended</b>	Year ended
	<b>31/12/2015</b>	31/12/2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue	<u><b>–</b></u>	<u>–</u>
Loss for the year	<u><b>3,770</b></u>	<u>(3,279)</u>

The above loss for the year include the following:

	<b>Year ended</b> <b>31/12/2015</b> <b>RMB'000</b>	Year ended 31/12/2014 RMB'000
Depreciation and amortisation	<u><b>3,594</b></u>	<u>1,567</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in Weigao Terumo recognised in the consolidated financial statements:

	<b>31/12/2015</b> <b>RMB'000</b>	31/12/2014 RMB'000
Net assets of Weigao Terumo	<b>144,949</b>	148,718
Proportion of the Group's ownership interest in Weigao Terumo (%)	<u>50</u>	<u>50</u>
Carrying amount of the Group's interest in Weigao Terumo	<u><b>72,474</b></u>	<u>74,359</u>

#### 11. INTERESTS IN AN ASSOCIATE

	<b>2015</b> <b>RMB'000</b>	2014 RMB'000
Cost of unlisted investment in an associate	–	–
Realised gain arising from establishing of an associate ( <i>Note</i> )	–	72,314
Share of post-acquisition profit and other comprehensive income, net of dividends received	<u>–</u>	<u>51,265</u>
	<u><b>–</b></u>	<u>123,579</u>

Details of the Group's associate as at 31 December 2015 and 2014 are as follows:

Name	Form of business structure	Place of incorporation or registration/ operation	Attributable equity interest directly held by the Company		Principal activities
			2015	2014	
Medtronic Weigao Orthopaedic Device Company Limited ("Distribution Joint Venture ")	Sino-foreign joint venture	PRC	-	49%	Sale and distribution of orthopaedic medical device products

*Note:*

On 3 December 2012, the Company and Medtronic International Limited entered into an agreement in respect of liquidating and dissolving the Distribution Joint Venture and to terminate the Distribution Joint Venture Agreement. As at 31 December 2015, the liquidation process has been completed.

## 12. INVENTORIES

	<b>31/12/2015</b>	31/12/2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Raw materials	<b>165,734</b>	177,319
Finished goods	<b>684,859</b>	737,200
	<b><u>850,593</u></b>	<u>914,519</u>

### 13. TRADE AND OTHER RECEIVABLES

	<b>31/12/2015</b>	31/12/2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables	<b>2,591,553</b>	2,252,946
<i>Less: Allowance for bad and doubtful debts</i>	<b><u>(143,006)</u></b>	<u>(115,999)</u>
	<b>2,448,547</b>	2,136,947
Bills receivable	<b>242,363</b>	141,757
Other receivables	<b>98,946</b>	71,241
Prepayments	<b>91,840</b>	174,228
Compensation for disposal of land use right	–	451,886
Other receivables – receivable within one year	<b>49,318</b>	–
Prepaid lease payments	<b><u>11,133</u></b>	<u>11,602</u>
	<b><u><u>2,942,147</u></u></b>	<u><u>2,987,661</u></u>

All the bills receivable will be matured within six month.

Included in trade receivables is an amount due from fellow subsidiaries of RMB3,856,000 (2014: RMB2,660,000). The amounts are unsecured, interest-free and repayable on demand.

Included in other receivables is an amount due from an associate of nil (2014: RMB174,000), an amount due from fellow subsidiaries of RMB32,278,000 (2014: nil), and an amount due from ultimate holding company of RMB553,000 (2014: RMB4,077,000). The amounts are unsecured, interest-free and repayable on demand.

Included in prepayments is an amount paid to an associate of nil (2014: RMB715,000), an amount paid to fellow subsidiaries of RMB755,000 (2014: nil), and an amount paid to ultimate holding company of RMB104,000 (2014: RMB6,000,000).

The Group allows a 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, which approximated the revenue recognition date, at the end of the reporting period.

	<b>31/12/2015</b>	31/12/2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 90 days	<b>1,350,524</b>	1,196,036
91 to 180 days	<b>525,723</b>	484,988
181 to 365 days	<b>413,112</b>	322,112
Over 365 days	<b>159,188</b>	133,811
	<hr/>	<hr/>
Trade receivables	<b><u>2,448,547</u></b>	<u>2,136,947</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. 77% (31 December 2014: 81%) of the trade receivables that are neither past due nor impaired have good repayment history with the Group.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB572,300,000 (2014: RMB455,923,000) 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.

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

	<b>31/12/2015</b>	31/12/2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
181 to 365 days	<b>413,112</b>	322,112
Over 365 days	<b>159,188</b>	133,811
	<hr/>	<hr/>
Trade receivables	<b><u>572,300</u></b>	<u>455,923</u>

The Group has made impairment allowances in full for all receivables over 3 years because from historical experience receivables past due beyond 3 years are generally not recoverable.

Movement in the allowance for bad and doubtful debt:

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At 1 January	<b>115,999</b>	93,907
Impairment losses recognised on trade receivables	<b>29,489</b>	25,441
Impairment losses reversed	<b>(1,173)</b>	(2,774)
Amounts written off as uncollectible	<b>(1,309)</b>	(575)
	<hr/>	<hr/>
At 31 December	<b><u>143,006</u></b>	<u>115,999</u>

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 is stated as follows:

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 90 days	<b>54,204</b>	32,026
91 to 180 days	<b>12,773</b>	13,498
181 to 365 days	<b>25,534</b>	19,044
Over 365 days	<b>6,435</b>	6,673
	<hr/>	<hr/>
	<b><u>98,946</u></b>	<u>71,241</u>

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

	<b>31/12/2015</b>	31/12/2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
181 to 365 days	<b>25,534</b>	19,044
Over 365 days	<b>6,435</b>	6,673
	<hr/>	<hr/>
	<b><u>31,969</u></b>	<u>25,717</u>

The Group has made impairment allowances in full for all other receivables over 3 years because from historical experience other receivables past due beyond 3 years are generally not recoverable.

Movement in the allowance for bad and doubtful debt:

	<b>31/12/2015</b>	31/12/2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At 1 January	<b>2,205</b>	1,851
Impairment losses recognised on other receivables	<b>105</b>	571
Impairment losses reversed	<b>(244)</b>	(217)
	<hr/>	<hr/>
At 31 December	<b><u>2,066</u></b>	<b><u>2,205</u></b>

Receivables that were not impaired relate to a wide range of customers for whom there was no recent history of default and with good credit quality.

#### **14. PLEDGED BANK DEPOSITS**

As at 31 December 2015, pledged bank balances represent deposits pledged to banks to secure trade facilities such as bills payable and letter of credit amounting to RMB46,173,000 (2014: RMB110,770,000).

The pledged bank balances carry fixed interest rate of 3.15% per annum as at 31 December 2015 (2014: 3.05%).

#### **15. BANK BALANCES AND CASH**

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The deposits carry interest rate range from 0.35% to 3% (2014: 0.35% to 2.3%) per annum.



## 16. TRADE AND OTHER PAYABLES

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

	<b>31/12/2015</b>	31/12/2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 90 days	<b>320,914</b>	418,439
91 to 180 days	<b>62,427</b>	60,479
181 to 365 days	<b>8,615</b>	12,414
Over 365 days	<b>27,837</b>	29,864
	<hr/>	<hr/>
Trade payables	<b>419,793</b>	521,196
Bills payable	<b>58,860</b>	153,340
Advances from customers	<b>50,870</b>	79,356
Other tax payables	<b>85,136</b>	34,936
Construction cost and retention payable	<b>74,392</b>	89,933
Selling expense payables	<b>453,191</b>	395,876
Other payables	<b>429,137</b>	401,995
	<hr/>	<hr/>
	<b>1,571,379</b>	1,676,632
	<hr/> <hr/>	<hr/> <hr/>

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 are an amount due to fellow subsidiaries of RMB4,650,000 (2014: RMB10,806,000), an amount due to a joint venture of RMB30,399,000 (2014: RMB21,046,000), and an amount due to an associate of nil (2014: RMB22,650,000). The amounts are unsecured, interest-free and repayable on demand.

Included in advances from customers are an amount received from fellow subsidiaries of RMB729,000 (2014: RMB500,000).

Included in other payables are an amount due to fellow subsidiaries of nil (2014: RMB765,000), an amount due to a joint venture of nil (2014: RMB2,518,000), an amount due to an associate of nil (2014: RMB63,803,000) and an amount due to ultimate holding company of RMB13,981,000 (2014: RMB16,224,000). The amounts are unsecured, interest-free and repayable on demand.

## 17 SHARE CAPITAL

	Nominal value of each share <i>RMB</i>	Number of Non-listed shares <i>(i)</i>	Number of H shares <i>(i)</i>	Total number of shares	Value <i>RMB'000</i>
Registered:					
At 1 January 2015	0.1	2,592,640,000	1,883,732,324	4,476,372,324	447,637
Increase on 31 December 2015 <i>(ii)</i>	0.1	<u>45,960,000</u>	<u>–</u>	<u>45,960,000</u>	<u>4,596</u>
At 31 December 2015	0.1	<u>2,638,600,000</u>	<u>1,883,732,324</u>	<u>4,522,332,324</u>	<u>452,233</u>
Issued and fully paid:					
At 1 January 2014, 31 December 2014 and 31 December 2015	0.1	<u>2,592,640,000</u>	<u>1,883,732,324</u>	<u>4,476,372,324</u>	<u>447,637</u>

### Note:

- i. 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.
- ii. The Company increased registered share capital in 2015 for the purpose of share award scheme.

## 18 SHARE-BASED PAYMENTS

On 17 November 2014, the Company's share award scheme ("Incentive Share Scheme") was adopted by the extraordinary general meeting, the class meeting of holders of H shares and the class meeting of holders of non-listed shares of the Company. The maximum number of non-listed Shares which may be issued under the share award scheme would be 223,818,616, which represent 5% of the issued share capital of the Company or approximately 4.76% of the issued share capital of the Company as enlarged by the issue of the 223,818,616 non-listed shares, as of the approval date, respectively, as incentive shares to key personnel of the Group, and other persons as approved by the Remuneration Committee (the "Selected Employee"), in batches in subsequent years. On 11 December 2015, the first batch of the Incentive Share Scheme granted 45,960,000 shares. The life of the Incentive Share Scheme is for 10 years. Details of the Incentive Share Scheme are set out in the Company's announcement dated 15 August 2014.

According to the Incentive Share Scheme, the incentive shares will be granted to the Selected Employee, subject to vesting conditions.

According to the Incentive Share Scheme, for Selected Employee with a domestic identity, the trustee will administer the Incentive Shares, which may be organized in forms of companies owned by the employees, limited partnership, or qualified trust companies in the PRC, or for Selected Employee with a foreign identity, the trustee will hold the Incentive Shares outside the PRC (the “Trustees”).

On 11 December 2015, the Company granted first 45,960,000 incentive shares to 111 Selected Employees (including one supervisor) and the Company has increased authorised non-listed shares at year end of 2015 but have not issued till the date of audit report. The Trustees shall pay the initial grant price of RMB2.20 per share.

The Group recognised the incentive share expenses of approximately RMB13,066,000 into the profit or loss during the Year (2014: nil).

Three limited partnerships (named Weihai Chang Hong Enterprise Management Consulting Center (Limited Partnership) (威海長弘企業管理諮詢中心(有限合夥)), Weihai Yang Fan Enterprise Management Consulting Center (Limited Partnership) (威海揚帆企業管理諮詢中心(有限合夥)) and Weihai Hong Tu Enterprise Management Consulting Center (Limited Partnership) (威海宏圖企業管理諮詢中心(有限合夥)), respectively) set up for the Incentive Share Scheme were hereby regarded as special purpose entities of the Company and consolidated to the Group accordingly.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Optimization of product mix

During the Year, the gross profit margin of the Group increased to 59.4% from 58.8%, which was mainly attributable to the decline in chemical raw materials purchase costs due to the drop in oil prices, and the efforts of the Group to continue its technological enhancement and on-going product mix optimization.

1. Consumables: the Group recorded a turnover for consumable products of approximately RMB4,342,506,000, representing an increase of 9.8% when compared with the previous year.

During the Year, the sales of the Group's specialized infusion sets with precision filter and the infusion sets made of proprietary non-PVC based material continued to grow. The pre-filled flush syringes that were newly launched in 2014 achieved good sales momentum. The turnover of infusion sets of the Group amounted to approximately RMB1,604,191,000, representing an increase of 8.3% over last year. The Directors believe that specialized infusion sets with precision filter and non-PVC based infusion sets have development potential in the PRC. The Group will continue to consolidate its core competitiveness in this sector.

For the year ended 31 December 2015, turnover for needle products of the Group was approximately RMB821,676,000, representing an increase of 12.3% when compared with the previous year. During the Year, in view of the intensive competition from domestic needle products manufacturers, the Company made active adjustments to sales policies and continued to increase marketing investments and intensified efforts in new products research and development. As such, the Company recorded a better growth in needle products sales. The Company would continue to increase its ongoing investments in needle products to enable such business to become one of the important sectors for the future development of the Company.

During the Year, the glass tube production line for pre-filled syringes was operating smoothly. The Group continued to establish a favourable position in the market. Turnover of pre-filled syringes for the Year amounted to approximately RMB278,180,000, representing an increase of 15.0% when compared with last year.

2. The blood purification business of Weigao Blood Purification Products Company Limited (“Weigao Blood Purification”, a subsidiary of the Company) achieved a rapid growth. During the Year, Weigao Blood Purification recorded a turnover of approximately RMB918,722,000, representing an increase of 26.0% when compared with last year. Turnover of haemodialysis consumable products was approximately RMB729,267,000, representing an increase of 20.7% when compared with last year. Turnover of haemodialysis equipments was approximately RMB189,455,000, representing an increase of 51.4% when compared with last year.
3. Orthopaedic business recorded a turnover of approximately RMB657,702,000 during the Year, representing an increase of 11.1% as compared with last year. During the Year, new products were launched in the joints and spinal sector of the orthopaedic business, but the growth was affected due to slow down in industry growth.

During the Year, as a result of product mix adjustment, the percentage of turnover from high value-added products (products with gross profit margins over 60%) to total turnover increased to 55.8% (2014: 52.8%).

## **RESEARCH AND DEVELOPMENT**

For the twelve months ended 31 December 2015, product registration certificates for 22 new products were obtained by the Group. The research and development for 47 products were completed for which applications for product registration certificates are underway. The Group obtained 49 new patents and 88 new patents are under application.

The strategy of placing strong emphasis on research and development has enhanced the competitiveness and laid a foundation for the Company to fully leverage on its customer resources and provided the Group with new profit growth drivers.

For the twelve months ended 31 December 2015, the Group had over 370 product registration certificates and over 420 patents, of which 54 were patents on invention.

In view of the need for the strategic adjustments to product mix, the Group continued to increase the investments in the research and development in existing products series and new medical devices, so as to further improve its product series and expand product range. The Group continued to maintain the leading position in research and development capability in China. For the twelve months ended 31 December 2015, total research and development expenses amounted to approximately RMB292,658,000 (2014: approximately RMB238,100,000), representing 4.9% (2014: 4.5%) of the revenue of the Group.

## **PRODUCTION**

During the Year, the Group completed the construction of the main production facilities of conventional infusion sets, intravenous catheter needles production workshop and electron accelerator workshop, as well as those ancillary facilities like warehouses and office buildings, and the relocation of conventional infusion sets, intravenous catheter needles production workshop from the original production plant to new industrial zone and these facilities had been put into operation during the Year.

During the Year, the construction of the fourth dialyzer production line of Weigao Blood Purification was completed and put into production while the construction of Phase IV blood purification project had commenced.

## **SALES AND MARKETING**

The Group consolidated the strategy in integrating its sales channels. During the Year, the Group conducted an adjustment on sales regions for consumables segment and further decentralised the decision making process to quickly response to the market. The Group adopted key accounts management system and enhanced the product portfolio of the customers. At the same time, the Group increased the sales staff headcount, placed more resources to support the market channels and continued to promote the hospital administrators training project.

During the Year, the Group strengthened as its sales management system. The Group focused on its marketing resources on customer development and maintained the relationship with hospitals from the grade-A of tier two or above (二甲級以上醫院). For the twelve months ended 31 December 2015, the Group newly added 23 hospitals while other medical institutes and distributors increased by 14 and 34 respectively. As at the date of this announcement, the Group has a total customer base of 5,298 (including 3,132 hospitals, 414 blood stations, 643 other medical units and 1,109 distributors).

Sales comparison by geographical regions for the Year when compared with last year is set out as follows:

## TURNOVER BY GEOGRAPHICAL SEGMENTS

	2015	2014	Increase/ (Decrease) over corresponding period
	<i><b>RMB'000</b></i>	<i>RMB'000</i>	%
Eastern and Central	<b>2,576,847</b>	2,311,073	11.5
Northern	<b>1,225,248</b>	1,120,615	9.3
Northeast	<b>576,950</b>	578,224	(0.2)
Southern	<b>554,030</b>	450,191	23.1
Southwest	<b>534,093</b>	440,538	21.2
Northwest	<b>182,262</b>	167,500	8.8
Overseas	<b>269,500</b>	209,686	28.5
Sub-total	<b><u>5,918,930</u></b>	<b><u>5,277,827</u></b>	<b><u>12.1</u></b>

The integration of sales channels has strengthened the Group's market penetration and influence over the direct sales to high-end customers. It enhanced sales contribution per customer and average sales per customer were increased by approximately 10.6% when compared with last year. It continued to drive up the product penetration to high-end customers and was an important approach in generating revenue growth for the Group.

Adjustment in product mix was another important factor in enhancing the results for the Year. During the Year, the Group focused on sales and marketing of high value-added infusion sets. It has increased the proportion of revenue from high value-added products over its total revenue. Comparison of sales revenue of principal products with that in last year is as follows:

Product category	For the twelve months ended 31 December			For the six months ended 31 December		
	2015	2014	Over corresponding period	2015	2014	Over corresponding period
	<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>	<i>RMB'000</i>	%
Infusion sets	<b>1,604,191</b>	1,480,807	8.3	<b>838,051</b>	785,771	6.7
Needles	<b>821,676</b>	731,691	12.3	<b>408,988</b>	353,818	15.6
Syringes	<b>689,892</b>	657,618	4.9	<b>355,609</b>	338,363	5.1
Pre-filled syringes	<b>278,180</b>	241,903	15.0	<b>112,396</b>	103,783	8.3
Blood bags	<b>315,814</b>	261,492	20.8	<b>155,360</b>	136,730	13.6
Wound management	<b>102,956</b>	97,041	6.1	<b>57,820</b>	51,074	13.2
Blood sampling products	<b>74,403</b>	81,349	(8.5)	<b>39,998</b>	40,682	(1.7)
PVC granules	<b>55,543</b>	58,057	(4.3)	<b>28,466</b>	34,337	(17.1)
Others	<b>399,851</b>	346,764	15.3	<b>220,924</b>	183,787	20.2
<b>Subtotal for single-use consumables</b>	<b>4,342,506</b>	3,956,722	9.8	<b>2,217,612</b>	2,028,345	9.3
Orthopaedic products	<b>657,702</b>	591,830	11.1	<b>301,730</b>	291,549	3.5
Blood purification consumables	<b>729,267</b>	604,115	20.7	<b>407,124</b>	341,826	19.1
Blood purification equipments	<b>189,455</b>	125,160	51.4	<b>115,580</b>	71,542	61.6
<b>Total</b>	<b>5,918,930</b>	<b>5,277,827</b>	12.1	<b>3,042,046</b>	<b>2,733,262</b>	11.3



## HUMAN RESOURCES

As at 31 December 2015, the Group employed a total of 9,861 employees. The breakdown by departments when compared with last year is as follows:

### Department

	2015	2014
Production	5,769	5,938
Sales and marketing	2,386	2,267
Research and development	991	985
Finance and administration	408	372
Quality control	158	147
Management	112	93
Purchasing	37	45
	<hr/>	<hr/>
Total	<b>9,861</b>	<b>9,847</b>

Save for the 4 employees (including company secretary) who are resided in Hong Kong and Europe, all the employees of the Group are resided in Mainland China. During the Year, total cost of salaries, welfare and social benefits of the Group amounted to approximately RMB1,141,736,000 (2014: RMB984,932,000).

### Remuneration System

The Group's remuneration policy has been determined based on its performance, changes in the local consumption power and competition in human resources market. The remuneration policy so determined has become the basis of determining the salary level 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 proposed by the Remuneration Committee with reference to the operating results of the Company, personal performance of the directors and market competition. The proposed remuneration of directors is proposed by the Board subject to approval by shareholders at forthcoming annual general meeting.

## FINANCIAL REVIEW

For the year ended 31 December 2015, the Group recorded a turnover of RMB5,918,930,000, representing an increase of 12.1% over the previous financial year. Net profit attributable to the owners of the Company was approximately RMB1,112,736,000 (2014: net profit attributable to the owners of the Company of approximately RMB1,084,948,000), representing an increase of approximately 2.6% as compared with the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB1,149,840,000 (2014: net profit attributable to the owners of the Company (excluding extraordinary items)) of approximately RMB984,073,000), representing an increase of approximately 16.8% over the previous year.

### Financial Summary

	<b>2015</b>	2014	Growth
	<b><i>RMB'000</i></b>	<i>RMB'000</i>	%
Turnover	<b>5,918,930</b>	5,277,827	12.1
Gross profit	<b>3,515,558</b>	3,104,309	13.2
Net profit attributable to the owners of the Company	<b>1,112,736</b>	1,084,948	2.6
Net profit attributable to the owners of the Company (excluding extraordinary items)	<b>1,149,840</b>	984,073	16.8

Plant relocation was completed during the year. No compensation revenue for land resumption by the government under the extraordinary items was recorded during the Year (2014: RMB100,875,000). The expenses incurred of proposed spin off of orthopaedic business on the mainboard of the Hong Kong Stock Exchange was RMB24,038,000 (2014: nil), and the expenses incurred due to the implementation of share award scheme during the Year was RMB13,066,000(2014: nil).

## **Liquidity and Financial Resources**

The Group has maintained a sound financial position during the Year. As at 31 December 2015, the Group's cash and bank balance amounted to approximately RMB3,712,153,000. For the year ended 31 December 2015, net cash flow from operating activities of the Group amounted to approximately RMB1,052,770,000. The Group has maintained a sound cash flow position.

Total interest expenses of the Group for the year ended 31 December 2015 were approximately RMB44,497,000 (2014: approximately RMB22,705,000).

## **Gearing Ratio**

As at 31 December 2015, total net cash of the Group amounted to approximately RMB2,693,053,000 (2014: RMB2,366,385,000). The change in the total net cash was mainly due to well-management in cash and compensation revenue for land resumption by the government received.

## **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 31 December 2015, the Group had not encountered any material difficulty due to currency fluctuation nor affecting its own operating funds. For the twelve months ended 31 December 2015, the Group had no significant exposure to foreign exchange fluctuation or hedging for such risk.

Due to the change in exchange rates, foreign exchange loss equivalent to RMB3,424,000 for the year ended 31 December 2015 was recognised (2014: foreign exchange loss equivalent to RMB20,835,000) by the Company.

## **Contingent Liabilities**

The Group had no material contingent liabilities as at 31 December 2015.

## **MATERIAL INVESTMENTS/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 rezoned as commercial and residential use. Hence, during the Year, the Group invested approximately RMB1,130,649,000 on purchase of land, production facilities and plant construction for the purpose of enhancing the overall construction of the industrial zone for the Group's medical consumables.
2. Plan to invest RMB260,000,000 for constructing the fifth and the sixth production lines for blood purification and dialyzer respectively, which are expected to be in full production by 2017, with an estimated additional capacity of 8 million pieces.
3. Plan to invest RMB200,000,000 for upgrading and restructuring the single-use consumables equipment to expand production capacity and enhance product quality.
4. Plan to invest RMB80,000,000 for expanding the production capacity of pre-filled syringes, which is expected to be in production by the end of 2017, with an additional capacity of 36 million pieces.
5. Plan to invest RMB40,000,000 for expanding the production capacity of flush syringes, which is expected to be in production by 2017, with an additional capacity of 70 million pieces.

Save for the above material investments and investment plans, the Group had no material capital commitments or any future plans involving significant investments or capital assets acquisition as at 31 December 2015, and there was no material acquisition and disposal of any other subsidiaries and associates during the Year.

### **Capital commitments**

As at 31 December 2015, the capital commitments of the Group and the Company contracted but not provided for in respect of the acquisition of property, plant and equipment amounted to approximately RMB406,092,000 (2014: RMB501,500,000). The above amounts will be financed by the internal resources of the Group.

## **Pledge of the Group's Assets**

As at 31 December 2015, the Group did not pledge the land use rights and buildings (2014: RMB Nil) but the Group has pledged the equity interest in Weigao Jierui, a wholly-owned subsidiary of the Group, to secure the long-term borrowings from International Finance Corporation, and pledged bank deposits of RMB46,173,000 (2014: RMB110,770,000) to secure the bills and banking facilities granted to the Group.

## **Reserves and Distributable Reserves**

As at 31 December 2015, total reserves of the Group amounted to RMB10,210,540,000 (2014: RMB9,400,268,000).

Under the PRC laws and regulations, the Company's distributable reserves will be based on the lower of the amount calculated according to the PRC accounting principles and rules and the amount calculated according to the Hong Kong generally accepted accounting principles. As at 31 December 2015, the distributable reserves of the Company were approximately RMB2,667,709,000 (2014: RMB2,424,125,000).

## **REVIEW AND OUTLOOK**

In 2015, the Company continued to maintain a strong growth in blood purification segment. Through introducing the new model of dialysis equipment, the Group strengthened its competitive edge in the dialysis equipment segment and continued to maintain a good sales momentum for its new product such as pre-filled flush syringes. The Company also successfully improved the cost management of single-use consumables segment. However, the Company was still facing the challenges of intensifying competition from domestic manufacturers and slow down industry growth of products. During the Year, the Company decided not to proceed with the proposed spinoff of Weigao Orthopaedic on the Stock Exchange after taking into account of the current market conditions. The Board is of the view that such decision will not give any material adverse effect to the current business operation and financial conditions of the Group. At the same time, the Board will continue to evaluate the current situation and consider all feasible options.

Looking forward to 2016, the Company believes that, in facing the changes in medical industry policies and intensifying competition in the industry, the Group will place emphasis on the followings:

1. Use the existing product lines as a base to expand and extend the categories and functionalities of the product lines to facilitate the product sales mix adjustment, alleviate the pressure due to the slowdown in industry growth by leveraging on launching of new products, including artery blood sampling needles, peripheral central venous catheters and orthopedic joints. At the same time, the Company shall consolidate the market position of newly launched pre-filled flush syringes, new model of dialysis equipment and Premier spinal products in 2014 and 2015 and continue to enhance product competitiveness in the market.
2. By capitalizing on the overall strengths of Weigao Group and Weigao Holding, we will continue to extend new hospital client base by ways of lease financing, equipment investments and contract procurement, carry out in-depth cooperation with existing hospitals to promote sales of existing customers through developing new distributors. The Company shall continue to tap the channels to satisfy the demand of tier two hospitals for high-end products.
3. Consolidate our superiority in hemodialysis market, continue to expand the market share of consumables, carry out the procurement work of the fifth to sixth production lines, distribute the production capacity demand for hemodialysis after 2018 and continue to commerce the establishment of independent hemodialysis centers in areas apart from Weihai.
4. Proactively develop overseas markets by set up new offices abroad to facilitate the orthopaedic and blood purification products export business. The Company shall proactively seek acquisition projects in the orthopaedic, surgical consumables and wound management segments, further expand the product categories and introduce technology so as to consolidate the competitive strengthens of its multi-product lines.
5. Continue to enhance efforts in technology improvement, increase the level of automation and promote product quality with an objective of assimilating pressure from rising costs in new factory relocation and labour costs.

With the launching of more upgraded products and new product series, penetration of key customers' development measures and implementation of staff incentive, 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.

## **SHARE AWARD SCHEME REGARDING NON-LISTED SHARES**

As approved on the extraordinary general meeting and class meetings on 17 November 2014 (the “Adoption Date”), the Company adopted a share award scheme (the “Scheme”) regarding a specific mandate to issue a maximum of 223,818,616 Non-listed Shares as incentive shares under the Scheme. The 223,818,616 Non-listed Shares represent 5% of the issued share capital of the Company or approximately 4.76% of the issued share capital of the Company as enlarged by the issue of the 223,818,616 Non-listed Shares on the Adoption Date.

The incentive shares allotted to the eligible participants will be subject to a lock-up period and performance target based on certain key performance indicators. The Scheme serves to retain the long-term service of the selected employee and align his/her continuous performance with the development goal of the Group. Details of the Scheme are set out in the circular of the Company dated 30 September 2014.

45,960,000 incentive shares were granted during the year ended 31 December 2015.

## **LOAN AGREEMENT WITH INTERNATIONAL FINANCE CORPORATION**

On 27 January 2015, the Company entered into a five (5) years loan agreement (the “Loan Agreement”) for the principal amount of RMB600 million (approximately HK\$744 million) (the “Loan”) with the International Finance Corporation (“IFC”), a member of the World Bank Group and the largest global development institution focused exclusively on the private sector. The Loan is repayable in one lump sum on 15 March 2020. The Loan will be used for the business development of Weigao Blood Purification, a 70% owned subsidiary of the Company to increase production capacity of blood dialyzer and related products and to open additional hemodialysis centers in China. Details of the Loan Agreement are set out in the announcement of the Company dated 27 January 2015.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the Year, there was no purchase, sale or redemption of its securities by the Company or any of its subsidiaries.

## **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. Li Jia Miao, Mrs. Fu Ming Zhong, and Mrs. Wang Jin Xia being independent non-executive directors and Mrs. Zhou Shu Hua, a non-executive director.

During the Year, the audit committee held two meetings and the committee had reviewed and approved the annual report for the year ended 31 December 2014 and the interim reports of the year 2015. On 22 March 2016, the audit committee had reviewed and approved the financial statements for the year ended 31 December 2015.

The unaudited quarterly and interim results and audited annual results for the year ended 31 December 2015 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.

## **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 31 December 2015.



## **ANNUAL GENERAL MEETING, CLOSURE OF REGISTER OF MEMBERS, DIVIDEND PAYMENT DATE**

The Company will make further announcement on the dates of annual general meeting, closure of register of members and the dividend payable date as soon as practicable.

## **PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board has resolved to recommend a final dividend of RMB0.036 per share (inclusive of tax). The total amount of final dividends to be distributed shall be approximately RMB161,149,000, of which dividends paid to non-resident corporate shareholders will be subject to the corporate tax applicable on the PRC sourced income pursuant to the PRC Corporate Income Tax Law and the Regulations on the Implementation of the PRC Corporate Income Tax Law that became effective on 1 January 2008 and the applicable tax rate is 10%. The listed issuer will be responsible for withholding the relevant amount of tax from the dividend payment and the dividends to be received by the non-resident corporate shareholders will be net of withholding tax. The proposal to declare and pay the final dividend will be submitted to the forthcoming Annual General Meeting. Final dividend for non-listed shares will be distributed and paid in Renminbi whereas dividend for H shares will be declared in Renminbi and paid in Hong Kong dollars.

By Order of the Board

**Shandong Weigao Group Medical Polymer Company Limited**

**Zhang Hua Wei**

*Chairman*

22 March 2016

Weihai, Shandong Province, the PRC

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

Mr. Zhang Hua Wei (*Executive Director*)

Mr. Wang Yi (*Executive Director*)

Mr. Gong Jian Bo (*Executive Director*)

Mr. Xia Lie Bo (*Executive Director*)

Mrs. Zhou Shu Hua (*Non-executive Director*)

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

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

Mrs. Fu Ming Zhong (*Independent non-executive Director*)

Mrs. Wang Jin Xia (*Independent non-executive Director*)