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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 UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

SUMMARY

- For the year ended 31 December 2021 (the “Year”), the revenue of Shandong Weigao Group Medical Polymer Company Limited (the “Company” and together with its subsidiaries, the “Group”) was approximately RMB13,151,719,000 (2020: approximately RMB11,622,337,000), representing an increase of 13.2% over the previous year. Net profit attributable to the owners of the Company was approximately RMB2,244,778,000 (2020: approximately RMB2,086,783,000), representing an increase of 7.6% over last year.
- The revenue for the year ended 31 December 2021 increased by 15.9% over last year without taking the accounting restatement into account (2020: approximately RMB11,345,252,000). (Note 1)
- Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB2,442,937,000, representing an increase of 20.3% over the comparative figure for the previous year (net profit attributable to the owners was approximately RMB2,030,137,000 in 2020 without taking the accounting restatement into account). (Note 2)

Note 1: In 2021, the Company acquired the 100% equity interest of Wego Healthcare Fund Holding Corporation from Weigao Holding Company Ltd, the controlling shareholder. In accordance with the accounting standards, in 2020, revenue and net profit attributable to owners of the Company were RMB11,622,337,000 and RMB2,086,783,000, respectively after the accounting restatement.

Note 2: In 2021, extraordinary items include a post-tax share awards expense of RMB35,084,000 newly granted by the Company and the post-tax provision for expenses of one pending litigation attributable to owners of the Company of RMB163,075,000 (extraordinary items in 2020: nil).

The Directors recommended the payment of a final dividend of RMB0.065 (2020: RMB0.068) per share, which is subject to the approval by the shareholders of the Company (“Shareholders”) at the forthcoming general meeting.

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>NOTES</i>	Year ended 31/12/2021 <i>RMB'000</i> (Unaudited)	Year ended 31/12/2020 <i>RMB'000</i> (Audited) (restated)
Revenue	4	13,151,719	11,622,337
Cost of sales		<u>(5,882,315)</u>	<u>(5,122,766)</u>
Gross profit		7,269,404	6,499,571
Other income, gains and losses	5	(64,157)	313,438
Impairment losses under expected credit loss model, net of reversal		(26,982)	(35,244)
Selling and distribution expense		(2,661,695)	(2,529,156)
Administrative expenses		(1,111,777)	(1,088,964)
Research and development expenses		(492,133)	(424,422)
Finance costs	6	(140,396)	(178,935)
Share of results of an associate		69,988	9,171
Share of results of joint ventures		<u>(531)</u>	<u>–</u>
Profit before tax		2,841,721	2,565,459
Income tax expense	7	<u>(415,093)</u>	<u>(358,422)</u>
Profit for the year		<u><u>2,426,628</u></u>	<u><u>2,207,037</u></u>
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(81,482)</u>	<u>(264,843)</u>
Total comprehensive income for the year		<u><u>2,345,146</u></u>	<u><u>1,942,194</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31/12/2021 RMB'000 (Unaudited)	Year ended 31/12/2020 RMB'000 (Audited) (restated)
Profit for the year attributable to owners of the Company	<u>2,244,778</u>	<u>2,086,783</u>
Profit for the year attributable to non-controlling interests	<u>181,850</u>	<u>120,254</u>
	<u>2,426,628</u>	<u>2,207,037</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	<u>2,174,977</u>	1,842,137
Non-controlling interests	<u>170,169</u>	<u>100,057</u>
	<u>2,345,146</u>	<u>1,942,194</u>
Earnings per share	<i>10</i>	
Basic <i>(RMB per share)</i>	<u>0.50</u>	<u>0.46</u>
Diluted <i>(RMB per share)</i>	<u>0.50</u>	<u>0.46</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	<i>NOTES</i>	31/12/2021 RMB'000 (Unaudited)	31/12/2020 RMB'000 (Audited) (restated)
Non-current assets			
Property, plant and equipment		5,719,370	5,362,665
Right-of-use assets		476,317	435,512
Investment properties		133,788	136,710
Goodwill		3,348,497	3,414,210
Deposits paid for acquiring property, plant and equipment		467,730	300,903
Intangible assets		1,798,577	2,055,460
Interests in an associate		1,138,901	1,068,912
Interests in joint ventures		180,757	181,927
Financial assets at fair value through profit or loss ("FVTPL")		100,943	108,420
Deferred tax assets		156,462	140,058
Finance lease receivables		40,959	85,160
Loan receivables		318,811	213,101
Prepayments		79,353	88,170
Other non-current assets	<i>5a</i>	293,247	–
		14,253,712	13,591,208
Current assets			
Inventories	<i>11</i>	1,734,557	1,562,853
Loan receivables		428,514	232,873
Trade and other receivables	<i>12</i>	6,045,579	5,958,479
Debt instruments at fair value through other comprehensive income		419,752	469,610
Finance lease receivables		85,122	136,908
Financial assets at fair value through profit or loss		10,000	–
Pledged bank deposits	<i>13</i>	310,159	340,129
Bank balances and cash	<i>14</i>	7,079,663	5,665,656
		16,113,346	14,366,508
Current liabilities			
Financial liabilities at fair value through profit or loss		56,694	21,031
Trade and other payables	<i>15</i>	3,952,044	3,812,454
Contract liabilities		310,866	313,373
Borrowings		601,328	297,890
Tax payable		149,633	129,154
Deferred income		8,816	7,861
Lease liabilities		22,988	8,583
Provisions		10,606	7,699
		5,112,975	4,598,045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 31 DECEMBER 2021

	31/12/2021	31/12/2020
	<i>NOTES</i>	
	RMB'000	RMB'000
	(Unaudited)	(Audited)
		(restated)
Net Current Assets	<u>11,000,371</u>	<u>9,768,463</u>
Total Assets less Current Liabilities	<u>25,254,083</u>	<u>23,359,671</u>
Capital and Reserves		
Share capital	457,063	452,233
Reserves	<u>18,810,028</u>	<u>17,581,347</u>
Equity attributable to owners of the Company	19,267,091	18,033,580
Non-controlling interests	<u>1,640,359</u>	<u>845,108</u>
Total Equity	<u>20,907,450</u>	<u>18,878,688</u>
Non-current Liabilities		
Financial liabilities at fair value through profit or loss	199	64,847
Borrowings	2,462,688	3,001,289
Bonds payable	992,549	991,121
Other payable	–	37,125
Deferred income	84,765	70,898
Deferred tax liabilities	222,620	291,797
Lease liabilities	57,857	22,115
Contract liabilities	3,305	1,791
Provision	<i>5a</i> <u>522,650</u>	<u>–</u>
	<u>4,346,633</u>	<u>4,480,983</u>
	<u>25,254,083</u>	<u>23,359,671</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

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 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is Weigao Holding Company Limited (“Weigao Holding”), a company registered in the PRC with limited liability. Its ultimate controlling party is Chen Xue Li. The address of the registered office and principal place of business of the Company is No. 18, Xing Shan Road, Weihai, Shandong Province, PRC.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the research and development, production and sale of medical device products, orthopaedic products, interventional products, pharma packaging products and blood management products, and operate financing business.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)*, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting.

During the year ended 31 December 2021, Shandong Weigao Blood Technology, the subsidiary of the Company acquired 100% interests in Wego Healthcare Fund Holding Corporation (“Wego Healthcare”) from Weigao Holding with a total net cash consideration of RMB1,202,366,000. (the “Post – Acquisition”) The Company acquired control over Wego Healthcare on 3 March 2021.

Wego Healthcare was incorporated in the United States of America on 15 November 2016, and it is an investment holding company. The principal assets of Wego Healthcare are (i) 100% interest in Rad Source Technologies, Inc (“Rad Source”); and (ii) 19.8% interest in Weihai Shangyuan Phase 1 Venture Capital Partnership (Limited Partnership) (“Weihai Shangyuan Fund”).

Rad Source is engaged in production of proprietary X-ray based irradiation machines that are used for blood irradiation, cannabis industry, small animal research and other research applications.

Through step acquisition, Weigao Holding obtained 100% interests in Wego Healthcare on 24 December 2018 with a cash consideration of RMB423,000,000 (“Acquisition”). Since 24 December 2018, thereby the Group and Wego Healthcare came under common control of Weigao Holding. Since Wego Healthcare and the Group are under common control by Weigao Holding before and after the Post – Acquisition, the Group has applied the principles of merger accounting with reference to Accounting Guideline 5 Merger Accounting for Common Control Combinations to the Acquisition issued by the HKICPA as if the common control combination had been effected since 24 December 2018.

The consolidated statement of financial position of the Group as at 31 December 2020 have been restated to include the assets and liabilities of Wego Healthcare as if they were within the Group since 24 December 2018. The consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2020 have also been restated to include the results and the cash flows of Wego Healthcare since Wego Healthcare and the Group were under common control by Weigao Holding from 24 December 2018.

The effects of the application of merger accounting on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 are as follows. Line items that were not affected by the changes have not been included.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the research and development, production and sale of medical device products, orthopaedic products, interventional products, pharma packaging products, blood management products, and operates financing business.

For management purposes, the Group is currently organised into six operating divisions – medical device products, orthopaedic products, interventional products, pharma packaging products, blood management products and others, among which interventional products were produced by Argon Medical Devices Holding, Inc. (“Argon”). 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 and reportable segments are as follows:

Medical device products	– production and sale of clinical care, wound management, medical testing, anesthesia and surgical related products and other consumables
Orthopaedic products	– production and sale of orthopaedic products
Interventional products	– production and sale of tumour and blood vessel interventional instruments
Pharma packaging products	– production and sale of pre-filled syringes and flushing syringes
Blood management products	– production and sale of blood collection, irradiation, storage, separation and sterilization products
Others	– finance lease and factoring business

Segment revenues and results

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

For the year ended 31 December 2021

	Medical device products <i>RMB'000</i> (Unaudited)	Orthopaedic products <i>RMB'000</i> (Unaudited)	Interventional products <i>RMB'000</i> (Unaudited)	Pharma packaging products <i>RMB'000</i> (Unaudited)	Blood management products <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Eliminations <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue								
External sales	6,463,642	2,126,594	1,544,266	2,040,355	976,862	-	-	13,151,719
Inter-segment sales	109	67,173	-	-	-	-	(67,282)	-
Total	<u>6,463,751</u>	<u>2,193,767</u>	<u>1,544,266</u>	<u>2,040,355</u>	<u>976,862</u>	<u>-</u>	<u>(67,282)</u>	<u>13,151,719</u>
Segment profit	<u>927,418</u>	<u>761,831</u>	<u>151,200</u>	<u>855,265</u>	<u>169,932</u>	<u>74,576</u>	<u>-</u>	<u>2,940,222</u>
Depreciation of investment properties								(5,216)
Unallocated other income, gains and losses								20,821
Rental income of investment properties								12,070
Interest income from bank deposits								72,171
Gain from changes in fair value of financial instruments at FVTPL								3,323
Share of results of an associate								69,988
Share of results of joint ventures								(531)
Share-based payment expenses								(41,275)
Net loss of litigation (<i>note 5a</i>)								(229,852)
Profit before tax								<u>2,841,721</u>

For the year ended 31 December 2020

	Medical device products <i>RMB'000</i> (Audited)	Orthopaedic products <i>RMB'000</i> (Audited)	Interventional products <i>RMB'000</i> (Audited)	Pharma packaging products <i>RMB'000</i> (Audited)	Blood management products <i>RMB'000</i> (Audited) (restated)	Others <i>RMB'000</i> (Audited)	Eliminations <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited) (restated)
Revenue								
External sales	5,990,009	1,747,774	1,370,156	1,693,798	820,600	-	-	11,622,337
Inter-segment sales	639	5,827	2,602	-	8,225	-	(17,293)	-
Total	<u>5,990,648</u>	<u>1,753,601</u>	<u>1,372,758</u>	<u>1,693,798</u>	<u>828,825</u>	<u>-</u>	<u>(17,293)</u>	<u>11,622,337</u>
Segment profit	<u>1,070,702</u>	<u>529,239</u>	<u>26,443</u>	<u>554,729</u>	<u>142,988</u>	<u>64,309</u>	<u>-</u>	<u>2,388,410</u>
Depreciation of investment properties								(6,276)
Unallocated other income, gains and losses								(46,957)
Rental income of investment properties								13,409
Interest income from bank deposits								46,423
Loss from changes in fair value of financial instruments at FVTPL								(84,364)
Gain on disposal of financial assets at FVTPL								29,809
Gain on release of escrow account								98,542
Gain on novation of the Contracts								117,292
Share of results of an associate								<u>9,171</u>
Profit before tax								<u><u>2,565,459</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of depreciation and rental income of investment properties, other income, gains and losses of the corporate function, interest income from bank, gain and loss from changes in fair value of financial instruments at FVTPL, gain on disposal of financial assets at FVTPL, gain on release of escrow account, gain on novation of the Contracts, share of results of an associate, share of results of joint ventures, share based payment expenses recognised for grantees of the management of the Group and net loss of litigation. This is the measure reported to the Managing Director for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

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

Segment assets

	31/12/2021 RMB'000 (Unaudited)	31/12/2020 RMB'000 (Audited) (restated)
Medical device products	9,949,083	9,432,657
Orthopaedic products	2,859,211	1,644,776
Interventional products	5,645,171	5,641,033
Pharma packaging products	2,252,660	1,903,253
Blood management products	930,599	841,893
Others	892,598	852,292
	<hr/>	<hr/>
Total segment assets	22,529,322	20,315,904
Financial assets at FVTPL	110,943	108,420
Interests in an associate	1,138,901	1,068,912
Interests in joint ventures	180,757	181,927
Investment properties	133,788	136,710
Deferred tax assets	156,462	140,058
Pledged bank deposits	310,159	340,129
Bank balances and cash	5,806,726	5,665,656
	<hr/>	<hr/>
Consolidated assets	30,367,058	27,957,716

Segment liabilities

	31/12/2021 RMB'000 (Unaudited)	31/12/2020 RMB'000 (Audited) (restated)
Medical device products	4,516,452	4,742,677
Orthopaedic products	844,824	705,248
Interventional products	2,890,818	2,690,191
Pharma packaging products	361,895	213,557
Blood management products	297,418	215,752
Others	58,649	84,428
	<hr/>	<hr/>
Total segment liabilities	8,970,056	8,651,853
Deferred tax liabilities	222,620	291,797
Financial liabilities at FVTPL	56,893	85,878
Other payables	210,039	49,500
	<hr/>	<hr/>
Consolidated liabilities	9,459,608	9,079,028

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

- all assets are allocated to operating segments other than financial assets at FVTPL, interests in an associate, interests in joint ventures, investment properties, deferred tax assets, pledged bank deposits, bank balances and cash.
- all liabilities are allocated to operating segments other than deferred tax liabilities, financial liabilities at FVTPL and part of other payables.

Other segment information

For the year ended 31 December 2021

	Medical device products <i>RMB'000</i> (Unaudited)	Orthopaedic products <i>RMB'000</i> (Unaudited)	Interventional products <i>RMB'000</i> (Unaudited)	Pharma packaging products <i>RMB'000</i> (Unaudited)	Blood management products <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Amounts included in the measure of segment profit or segment assets:							
Additions to property, plant and equipment	494,833	133,679	55,075	142,020	18,673	-	844,280
Allowances for credit losses	11,503	10,129	322	1,407	-	3,621	26,982
Allowances for inventories	1,180	3,672	1,472	-	632	-	6,956
Amortisation of intangible assets	257	6,603	221,765	821	11,887	-	241,333
Depreciation of property, plant and equipment	186,119	82,668	17,523	128,251	31,502	109	446,172
Depreciation of right-of-use assets	19,818	3,054	5,305	-	2,915	-	31,092
Loss/(gain) on disposal of property, plant and equipment	1,496	108	482	(49)	900	-	2,937
Research and development expenditure	280,124	121,225	16,842	43,283	30,659	-	492,133
Share-based payment expenses	2,886	5,139	26,506	268	418	-	35,217
Government grants	(20,357)	(15,178)	(32)	(65)	-	-	(35,632)
Rebate of value added tax ("VAT")	(76,438)	-	-	-	-	(1,143)	(77,581)

For the year ended 31 December 2020

	Medical device products <i>RMB'000</i> (Audited)	Orthopaedic products <i>RMB'000</i> (Audited)	Interventional products <i>RMB'000</i> (Audited)	Pharma packaging products <i>RMB'000</i> (Audited)	Blood management products <i>RMB'000</i> (Audited) (restated)	Others <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited) (restated)
Amounts included in the measure of segment profit or segment assets:							
Additions to property, plant and equipment	512,262	199,362	40,191	32,160	18,880	–	802,855
Allowances for credit losses	17,630	4,321	4,784	7,314	–	1,195	35,244
Allowances for inventories	16	9,006	1,430	–	–	–	10,452
Allowances for property, plant and equipment	–	2,571	–	–	–	–	2,571
Allowances for intangible assets	–	–	4,295	–	–	–	4,295
Amortisation of intangible assets	1,052	3,353	240,221	–	12,623	–	257,249
Depreciation of property, plant and equipment	221,649	111,788	15,225	55,351	20,556	177	424,746
Depreciation of right-of-use assets	17,018	–	3,672	–	–	–	20,690
Gain on disposal of property, plant and equipment	(1,389)	(288)	–	–	–	–	(1,677)
Research and development expenditure	256,023	84,878	14,754	33,496	35,271	–	424,422
Share-based payment expenses	6,992	6,958	15,801	627	284	–	30,662
Government grants	(15,694)	(1,138)	–	(2,792)	(336)	(106)	(20,066)
Rebate of VAT	(77,065)	–	–	–	–	(4,609)	(81,674)

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	Year ended 31/12/2021 <i>RMB'000</i> (Unaudited)	Year ended 31/12/2020 <i>RMB'000</i> (Audited) (restated)
Sale of medical device products		
– Clinical care	4,574,811	4,267,450
– Wound management	412,385	346,590
– Anesthesia and surgical related products	247,631	193,051
– Medical testing	294,833	275,780
– Other consumables	705,304	665,711
Sale of orthopaedic products	2,126,594	1,747,774
Sale of interventional products	1,772,944	1,611,583
Sale of pharma packaging products	2,040,355	1,693,798
Sale of blood management products	976,862	820,600
	<u>13,151,719</u>	<u>11,622,337</u>

5. OTHER INCOME, GAINS AND LOSSES

	Year ended 31/12/2021 <i>RMB'000</i> (Unaudited)	Year ended 31/12/2020 <i>RMB'000</i> (Audited) (restated)
Other income:		
Rebate of VAT	77,581	81,674
Government grants	35,632	20,066
Operating rental income	12,070	13,409
Finance lease income	11,565	20,627
Interest income from bank deposits	72,171	46,423
Interest income from factoring business	21,483	17,854
Interest income from loan receivables	50,289	50,702
	<u>280,791</u>	<u>250,755</u>
Other gains and losses:		
Impairment losses on intangible assets	–	(4,295)
Impairment losses on inventories	(6,956)	(10,452)
Impairment losses on property, plant and equipment	–	(2,571)
Net exchange loss	(39,357)	(39,977)
(Loss)/gain on disposal of property, plant and equipment	(2,937)	1,677
Gain on deemed disposal of investments in an associate	–	3,325
Gain/(loss) from changes in fair value of financial instruments measured at FVTPL	3,323	(84,364)
Gain on disposal of financial assets at FVTPL	–	29,809
Donation paid	(41,807)	(46,390)
Loss on currency option	(6,289)	–
Loss on Structured Cross Currency Swap	(22,453)	(16,322)
Gain from early repayment of an interest-free loan from an associate of the Company	–	16,856
Gain on release of escrow account	–	98,542
Gain on novation of the Contracts	–	117,292
Net loss of litigation (<i>note a</i>)	(229,852)	–
Others	1,380	(447)
	<u>(344,948)</u>	<u>62,683</u>
	<u>(64,157)</u>	<u>313,438</u>

Note a: A subsidiary of the Group was a defendant in a product liability claim (“Claims”). The claim involves one of the Group’s products. In connection with the product liability claim, during the year ended 31 December 2021, the Group recorded a pre-tax charge of about RMB522,650,000 for losses related to product liability litigation, the Group recorded these charges based on specific assumptions including, settlement and medication discussions, taking into consideration developments in the matters and the inherent risks and uncertainties surrounding litigation. The subsidiary of the Group carries product liability insurance that covers losses asserted against in the Claims. During the year ended 31 December 2021, the Group recorded an insurance receivable of about RMB293,247,000. The net loss of product liability taking into account the insurance coverage recorded with an amount of about RMB229,852,000.

6. FINANCE COSTS

	Year ended 31/12/2021 RMB’000 (Unaudited)	Year ended 31/12/2020 RMB’000 (Audited)
Interest on bank loans and other borrowings	97,261	156,002
Interest on bonds payable	39,467	21,230
Interest on lease liabilities	3,668	1,703
	140,396	178,935

7. INCOME TAX EXPENSE

	Year ended 31/12/2021 RMB’000 (Unaudited)	Year ended 31/12/2020 RMB’000 (Audited) (restated)
Current enterprise income tax	485,922	404,304
Under/(over) provision in prior years	9,105	(13,359)
Deferred tax	(79,934)	(32,523)
	415,093	358,422

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 the Company and certain PRC subsidiaries is 15% for the years ended 31 December 2021 and 2020.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The subsidiaries in the U.S. are subject to federal income tax at a tax rate of 21% and state income tax.

The Company, Jierui, Weigao Orthopaedic and Weigao Purui were recognised as Shandong Province New and High Technical Enterprises (山東省高新技術企業) from the year 2020 to 2022, and, the subsidiaries of the Company Changzhou Jianli Bangde Medical Devices Co., Ltd and Weihai Weigao Jiesheng Medical Devices Co., Ltd. were recognised as New and High Technical Enterprises from the year 2019 to 2021. 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”. Pursuant to Caishui [2016] No. 52 issued by the State Council, with effect from 1 May 2016, Social Welfare Entity is subject to income tax rate of 15%, and an amount equivalent to the total salaries paid to staff with physical disability is further deducted from the taxable income of Jierui. The tax charge provided for the years ended 31 December 2021 and 2020 were made after taking these tax incentives into account.

8. PROFIT FOR THE YEAR

	Year ended 31/12/2021 RMB'000 (Unaudited)	Year ended 31/12/2020 RMB'000 (Audited) (restated)
Profit for the year has been arrived at after charging and crediting:		
Allowances for credit losses	26,982	35,244
Allowances for inventories	6,956	10,452
Allowances for property, plant and equipment	–	2,571
Allowances for intangible assets	–	4,295
Amortisation of intangible assets	241,333	257,249
Auditors' remuneration	7,677	7,567
Depreciation of property, plant and equipment	446,172	427,317
Depreciation of investment properties	5,216	6,276
Depreciation of right-of-use assets	31,092	20,690
Lease expenses related to short-term lease	8,231	11,039
Lease liabilities interest expense	3,668	1,703
Cost of inventories recognised as an expense	5,882,315	5,122,766
Staff costs, including directors' and supervisors' remuneration		
– Retirement benefits scheme contributions	133,812	92,515
– Salaries and other allowances	1,820,744	1,764,634
– Share-based payment expenses	76,492	30,662
Total staff costs	2,031,048	1,887,811
Loss/(gain) on disposal of property, plant and equipment	2,937	(1,677)

9. DIVIDENDS

	Year ended 31/12/2021 RMB'000 (Unaudited)	Year ended 31/12/2020 RMB'000 (Audited)
Dividends recognised as distribution during the year:		
2021 Interim – RMB0.077 (2020: interim dividend – RMB0.062) per share	348,220	280,385
2020 Final – RMB0.068 (2019: final dividend – RMB0.061) per share	307,519	275,862
Total	655,739	556,247
<i>Less:</i> distribution to the shares hold by the trustees under a share award scheme	2,451	2,898
	653,288	553,349

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of RMB0.065 (2020: RMB0.068) per share, amounting to RMB297,091,000 (2020: RMB307,519,000) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	Year ended 31/12/2021 RMB'000 (Unaudited)	Year ended 31/12/2020 RMB'000 (Audited) (restated)
Profit for the year attributable to owners of the Company	2,244,778	2,086,783
Earnings for the purpose of basic earnings per share	2,244,778	2,086,783
Earnings for the purpose of diluted earnings per share	2,243,855	2,086,783

	Year ended 31/12/2021 '000 (Unaudited)	Year ended 31/12/2020 '000 (Audited)
Number of shares		
Number of shares for the purpose of basic earnings per share	4,500,994	4,489,196
Effect of dilutive potential ordinary shares:		
Incentive shares	<u>15,329</u>	<u>3,757</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,516,323</u>	<u>4,492,953</u>

11. INVENTORIES

	31/12/2021 RMB'000 (Unaudited)	31/12/2020 RMB'000 (Audited) (restated)
Raw materials	344,151	287,843
Finished goods	<u>1,390,406</u>	<u>1,275,010</u>
	<u>1,734,557</u>	<u>1,562,853</u>

As at 31 December 2021, total net book value of inventories served as collateral for the Group's borrowing amounted to RMB212,104,000 (2020: RMB221,224,000).

12. TRADE AND OTHER RECEIVABLES

	31/12/2021	31/12/2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
		(restated)
Trade receivables	5,280,407	4,879,427
<i>Less: Allowance for credit losses</i>	(253,899)	(242,124)
	5,026,508	4,637,303
Receivables from factoring business	74,936	329,968
<i>Less: Allowance for credit losses</i>	(844)	(1,226)
	74,092	328,742
Other receivables	515,698	638,817
<i>Less: Allowance for credit losses</i>	(2,161)	(2,110)
	513,537	636,707
Prepayments	510,795	443,897
	6,124,932	6,046,649
Analysed for reporting purposes as:		
Current assets	6,045,579	5,958,479
Non-current assets	79,353	88,170
	6,124,932	6,046,649

As at 31 December 2021, trade receivables from contracts with customers amounted to RMB5,280,407,000 (2020: RMB4,879,427,000).

Included in trade receivables are an amount due from fellow subsidiaries of RMB2,057,959,000 (2020: RMB1,097,918,000), an amount due from a holding company of RMB2,341,000 (2020: RMB110,000), and an amount due from an associate of RMB46,087,000 (2020: RMB152,712,000), an amount due from associates of a holding company of RMB861,000 (2020: nil).

Included in receivables from factoring business are an amount due from fellow subsidiaries of RMB6,000,000 (2020: RMB322,990,000). The amounts are due in one year with effective interest rates 8% per annum (2020: 4.99% to 8.00% per annum).

Included in other receivables are an amount due from fellow subsidiaries of RMB87,611,000 (2020: RMB53,465,000), an amount due from a holding company of RMB349,028,000 (2020: RMB435,554,000), an amount due from an associate of nil (2020: RMB7,416,000), an amount due from associates of a holding company of RMB18,000 (2020: nil). The amounts are unsecured and repayable on demand.

Included in prepayments are an amount paid to fellow subsidiaries of RMB77,610,000 (2020: RMB27,891,000), an amount paid to a holding company of RMB908,000 (2020: nil), and an amount paid to an associate of RMB402,000 (2020: RMB971,000).

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period.

	31/12/2021	31/12/2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
		(restated)
0 to 90 days	2,568,131	2,377,901
91 to 180 days	1,147,653	997,902
181 to 365 days	993,716	773,449
Over 365 days	317,008	488,051
	<hr/>	<hr/>
Trade receivables	<u>5,026,508</u>	<u>4,637,303</u>

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,348,288,000 which are past due (2020: RMB1,302,478,000).

As at 31 December 2021, total net book value of trade and other receivables served as collateral for the Group's borrowing amounted to RMB180,649,000 (2020: RMB167,839,000.00).

13. PLEDGED BANK DEPOSITS

As at 31 December 2021, pledged bank balances represent deposits pledged to banks to secure trade facilities such as bills payable and letter of credit amounting to RMB310,159,000 (2020: RMB340,129,000).

The pledged bank balances carry fixed interest rates which range from 0.01% to 2.10% per annum as at 31 December 2021 (2020: 0.3% to 2.10% per annum).

14. 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 rates which range from nil to 4.125% per annum (2020: nil to 4.125% per annum).

As at 31 December 2021, bank balances included deposits of RMB180,168,000 (2020: RMB194,942,000), carrying interest rates which range from 1.495% to 4.125% per annum (2020: 1.495% to 4.125% per annum), in an associate of a holding company.

As at 31 December 2021, bank balances and cash served as collateral for the Group's borrowing amounted to RMB266,646,000 (2020: RMB274,431,000).

15. 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:

	31/12/2021 <i>RMB'000</i> (Unaudited)	31/12/2020 <i>RMB'000</i> (Audited) (restated)
0 to 90 days	876,043	1,033,086
91 to 180 days	257,150	240,787
181 to 365 days	113,021	103,766
Over 365 days	90,572	38,679
	<hr/>	<hr/>
Trade payables	1,336,786	1,416,318
Bills payable	332,164	341,349
Other tax payables	116,185	134,908
Construction cost and retention payables	64,490	90,430
Selling expense payables	889,433	818,530
Other payables	1,212,986	1,048,044
	<hr/>	<hr/>
	3,952,044	3,849,579
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current liabilities	3,952,044	3,812,454
Non-current liabilities	–	37,125
	<hr/>	<hr/>
	3,952,044	3,849,579
	<hr/> <hr/>	<hr/> <hr/>

The normal credit period taken for trade purchases is 30 days to 180 days. All the bills payable will mature within six months.

Included in trade payables are an amount due to fellow subsidiaries of RMB409,852,000 (2020: RMB440,395,000), an amount due to an associate of RMB45,102,000 (2020: RMB83,218,000), an amount due to a holding company of RMB3,000 (2020: RMB1,221,000), and an amount due to associates of a holding company of RMB660,000 (2020: nil). The amounts are unsecured, interest-free and repayable within credit period.

Included in other payables are an amount due to fellow subsidiaries of RMB8,534,000 (2020: RMB23,696,000), an amount due to an associate of RMB571,000 (2020: nil), an amount due to a holding company of RMB20,099,000 (2020: RMB27,803,000), and an amount due to an associate of a holding company of RMB690,000 (2020: nil). The amounts are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimisation of product mix

During the Year, the gross profit margin of the Group decreased from 55.9% of last year to 55.3%, which was mainly attributable to the effect from change of product structure.

The existing major products of the Group under each business line are as follows:

Clinical care business includes vascular and non-vascular access infusion devices include infusion sets, syringes, puncture needles, specialized single-use clinical collection kits, digital products for clinical care, digestive nutrition, primary care products

Wound management includes wound healing dressings, wound suture, wound cleaning and nonvascular catheter supporting extracorporeal devices

Blood management business includes blood collection, storage, separation and sterilization consumables and equipment

Pharma packaging business includes prefilled syringes and pre-filled flush syringes

Medical testing business includes blood collection devices and blood glucose testing

Anesthesia and surgery business includes general anesthesia consumables, local anesthesia consumables, anesthesia auxiliary consumables, ICU equipment, open and minimally invasive surgical equipment

Orthopaedic business includes trauma, spinal implant, artificial joints, sports injury, soft tissue repair, reconstruction implant, orthopaedic filling, and orthopaedic related surgical tools

Interventional business includes tumor intervention, vascular intervention and interventional imaging

1. During the Year, the clinical care business recorded a turnover of approximately RMB4,574,811,000, an increase of 7.2% over last year. With an enhanced product mix, it has compensated for the reduced demand due to the restricted clinical business opening affected by the COVID-19. The Group continued to maintain a dominant position in the market segment.
2. During the Year, the pharma packaging business recorded a turnover of approximately RMB2,040,355,000, representing an increase of 20.5% over last year. Prefilled syringes recorded a year-on-year increase of 35.2%, further expanded its market influence in the segment of pre-pack bio-pharmaceuticals and built a broad customer base.
3. During the Year, the orthopaedic business recorded a turnover of approximately RMB2,126,594,000, representing an increase of 21.7% over last year. Measures such as further consolidating its market position in the spine segment, increased marketing of joint products, further penetration of distribution channels and establishment of a logistic platform have driven sales growth.
4. During the Year, the interventional business recorded a turnover of approximately RMB1,772,944,000, representing an increase of 10.0% over last year. The revenue calculated at a fixed exchange rate increased by 16.8% over last year, which was mainly attributable to the significant growth in the sales of Argon. The sales of Argon products in the PRC market achieved remarkable progress.

RESEARCH AND DEVELOPMENT

For the year ended 31 December 2021, the Group obtained 144 new patents and 161 new patents are under application in the PRC. Product registration certificates for 40 new products were obtained. The research and development for 29 products were completed for which application for product registration certificates are underway. For overseas market, 13 new patents are under application and the research and development for 181 products were completed for which application for product registration certificates are underway.

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 year ended 31 December 2021, the Group had over 554 product registration certificates and 652 patents, of which 97 were patents on invention, in the PRC. For overseas market, the Group had over 742 product registration certificates and 193 patents.

In view of the need for the strategic adjustments to product mix, the Group continued to increase efforts on the improvement and subdivision of product layout in existing products series, so as to maintain its leading position in research and development capability in China. For the year ended 31 December 2021, total research and development expenses amounted to approximately RMB492,133,000 (2020: approximately RMB424,422,000), representing 3.7% (2020: 3.7%) of the revenue of the Group.

PRODUCTION

During the Year, in order to constantly expand production capacity, the Group continued to expand its production facilities including workshops of syringe and prefilled syringe to satisfy the sales demand for future market growth. Meanwhile, the Group proactively promoted improvement of production processes and enhanced intellectualization and automation of production equipment. The production costs were reduced through efficiency enhancement and scientific management, maintaining the Company's overall profitability.

SALES AND MARKETING

During the Year, the Group consolidated the marketing management system and further adhered to the strategy of sales channel integration and product mix adjustment and to focus on marketing resources on customer development and maintenance in the core healthcare market. The Group achieved substantial results in key client accounts management. As at the date of this announcement, the Group newly added 461 hospitals, 116 other medical institutions and 731 distributors to its PRC customer base, and the Group has a PRC customer base of 7,982 in aggregate (including 3,115 hospitals, 414 blood stations, 1,101 other medical units and 3,352 distributors) and an overseas customer base of 7,092 in aggregate (including 3,540 hospitals, 1,631 other medical units and 1,921 distributors).

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

Turnover by Geographical Information

Regions	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	Increase or decrease over corresponding period %
The PRC			
– Eastern and Central	5,203,106	4,477,690	16.2%
– Northern	2,330,107	1,976,735	17.9%
– Northeast	898,181	795,878	12.9%
– Southern	960,983	836,743	14.8%
– Southwest	857,764	755,887	13.5%
– Northwest	245,296	247,666	(1.0%)
PRC sub-total	<u>10,495,437</u>	<u>9,090,599</u>	<u>15.5%</u>
Overseas			
– USA	1,145,923	1,139,575	0.6%
– Europe, Middle East and Africa	501,919	503,502	(0.3%)
– Asia	701,240	578,895	21.1%
– Others	307,200	309,766	(0.8%)
Overseas sub-total	<u>2,656,282</u>	<u>2,531,738</u>	<u>4.9%</u>
Total	<u><u>13,151,719</u></u>	<u><u>11,622,337</u></u>	<u><u>13.2%</u></u>

Overseas revenue increased by 10.6% over last year at fixed exchange rates.

The integration of sales channels has strengthened the Group's market penetration and influence over the customers. It enhanced sales contribution per customer and 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. Comparison of revenue of principal products with that in last year is as follows:

Product category	For the year ended 31 December			For the six months ended 31 December		
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	Over corresponding period %	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	Over corresponding period %
Clinical care	4,574,811	4,267,450	7.2%	2,470,254	2,406,881	2.6%
Pharma packaging products	2,040,355	1,693,798	20.5%	1,082,632	929,283	16.5%
Blood management	976,862	820,600	19.0%	527,017	446,352	18.1%
Wound management	412,385	346,590	19.0%	215,876	213,465	1.1%
Medical testing	294,833	275,780	6.9%	168,878	176,589	(4.4%)
Anesthesia and surgical related products	247,631	193,051	28.3%	129,669	127,788	1.5%
Orthopaedic products	2,126,594	1,747,774	21.7%	1,042,149	917,170	13.6%
Interventional products	1,772,944	1,611,583	10.0%	907,556	828,321	9.6%
Other consumables	705,304	665,711	5.9%	378,084	360,979	4.7%
Total	<u>13,151,719</u>	<u>11,622,337</u>	<u>13.2%</u>	<u>6,922,115</u>	<u>6,406,828</u>	<u>8.0%</u>

HUMAN RESOURCES

As at 31 December 2021, the Group employed a total of 11,123 employees. The breakdown by departments when compared with last year is as follows:

DEPARTMENT

	2021	2020
Production	5,589	5,404
Sales and marketing	2,846	2,616
Research and development	1,229	1,165
Finance and administration	551	538
Quality control	519	330
Management	308	228
Purchasing	81	152
Total	<u>11,123</u>	<u>10,433</u>

There are a total of 997 overseas employees who are resided in Hong Kong, USA and Europe. Other employees of the Group are resided in Mainland China. During the Year, the total cost of salaries, welfare and social benefits of the Group amounted to approximately RMB2,031,048,000 (2020: approximately RMB1,887,811,000).

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 2021, the Group recorded a turnover for the year of approximately RMB13,151,719,000, representing an increase of 13.2% over the previous financial year. Net profit attributable to the owners of the Company was approximately RMB2,244,778,000 (2020: approximately RMB2,086,783,000), representing an increase of approximately 7.6% as compared with the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB2,442,937,000 (2020: approximately RMB2,030,137,000 without taking the accounting restatement into account), representing an increase of approximately 20.3% over the previous year.

FINANCIAL SUMMARY

	2021	2020	Increase (decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(Unaudited)	(Audited)	
Turnover	13,151,719	11,622,337	13.2%
Gross profit	7,269,404	6,499,571	11.8%
Net profit attributable to the owners of the Company	2,244,778	2,086,783	7.6%
Net profit attributable to the owners of the Company (excluding extraordinary items)	2,442,937	2,030,137	20.3%

During the Year, extraordinary items include a post-tax share awards expense of RMB35,084,000 newly granted by the Company and the post-tax provision for expenses of one pending litigation attributable to owners of the Company of RMB163,075,000 (extraordinary items in 2020: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position. As at 31 December 2021, the Group's cash and bank balance amounted to approximately RMB7,079,663,000. For the year ended 31 December 2021, net cash flow from operating activities of the Group amounted to approximately RMB3,035,163,000, representing a sound cash flow position.

For the year ended 31 December 2021, total interest expenses of the Group amounted to approximately RMB140,396,000 (2020: total interest expenses of approximately RMB178,935,000).

GEARING RATIO

The gearing ratio of the Group as at the end of 2021 declined to 21.1% (2020: 23.8%).

As at 31 December 2021, total net cash of the Group amounted to approximately RMB3,023,098,000 (2020: net cash of approximately RMB1,375,356,000). The gearing ratio represents total debt as a percentage of total capital. Total debt is calculated as total borrowings. Total capital is calculated as the Group's shareholders' fund.

FOREIGN EXCHANGE RISKS

The Group's purchases and sales are mainly conducted in the PRC and the United States. Assets, liabilities and transactions in the PRC are denominated in RMB, while overseas assets and transactions are mainly denominated in US dollars. Foreign exchange risk mainly arises from outstanding borrowings denominated in foreign currencies. The Group has adopted foreign currency hedging instruments to achieve better foreign exchange risk management. The objective of the hedge is to minimise the volatility of the RMB expenditures expected to be incurred in the future to meet foreign currency liabilities. The Group's risk management policy is to partially hedge the forecasted cash flows in foreign currencies by considering the appropriate hedging instruments and costs of hedging. The Group uses foreign exchange structured derivative financial contracts to hedge its foreign currency risk. For the twelve months ended 31 December 2021, the Group had not encountered any material difficulty due to currency fluctuation nor had it affected its funds for operation purpose.

Due to the fluctuation in exchange rates, the Company realised a foreign exchange loss equivalent to RMB39,357,000 for the year ended 31 December 2021 (2020: foreign exchange loss equivalent to RMB39,977,000).

MATERIAL INVESTMENTS/FUTURE MATERIAL INVESTMENT PLANS

1. During the year, the Group continued to invest approximately RMB1,070,684,000 in purchase of properties and production facilities and plant construction for the purpose of enhancing the overall construction of the industrial zone for the Group's medical consumables.
2. During the year, the Group contributed RMB1,115,000,000 to acquire the equity interest held by Weigao Holding Company Limited in Wego Healthcare Fund Holding Corporation, whose major asset is the entire interest in Rad Source Technologies Inc..
3. The Group planned to invest RMB770,000,000 to acquire the 38.5% interest in the Songyuan Healthcare Industry Fund (松源健康醫療產業基金), which focuses on the investments in the medical and healthcare sector mainly covering medical devices, biopharmaceuticals, medical services and rehabilitation and elderly care, of which a total of RMB154,000,000 has been contributed.
4. In 2022, the Group planned to invest approximately RMB700,000,000 in the new production lines, which is expected to be successively put in operation by 2024.
5. In 2022, the Group planned to invest approximately RMB150,000,000 in the upgrading and reconfiguration of the single-use consumables production equipment to further enhance the level of production automation.

Save for the above material investments and investment plans, the Group had no future plans involving significant investments or capital assets acquisition as at 31 December 2021.

CAPITAL COMMITMENT

As at 31 December 2021, the capital commitment including acquisition, investment and purchase of property, plant and equipment which the Group and the Company had contracted for but not provided amounted to approximately RMB1,113,104,000 (2020: approximately RMB2,393,246,000). The above amounts will be financed by the internal resources of the Group.

PLEDGE OF THE GROUP'S ASSETS

As at 31 December 2021, the Group had pledged the equity interest in Weihai Jierui Medical Products Company Ltd., Shandong Financial Leasing Company Ltd. and Shanghai Financial Leasing Company Ltd., wholly owned subsidiaries of the Group, and Shandong Weigao Puri Pharmaceutical Packaging Co., Ltd., a wholly-controlled subsidiary of the Group, to secure the long-term borrowings from International Finance Corporation, and pledged bank deposits of RMB310,159,000 (2020: RMB340,129,000) to secure the bills and letters of credit granted to the Group.

The Group had pledged bills receivable of RMB54,188,000 (2020: RMB128,188,000) to secure bank facilities.

As at 31 December 2021, the loan principal of Argon Medical Devices Holding, Inc. (“Argon”) amounted to US\$336,406,000, which was secured by a security package of 100% equity interests in Argon and its subsidiaries as well as the property, plant and equipment, intangible assets, inventories, trade and other receivables, bank deposits and cash of Argon. In the meantime, the Company provided guarantee for Argon.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2021, total reserves of the Group amounted to RMB18,810,028,000 (2020: RMB17,581,347,000).

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 2021, the distributable reserves of the Company were approximately RMB8,220,181,000 (2020: RMB7,168,030,000).

REVIEW AND OUTLOOK

As a result of the intermittent reoccurrence of the COVID-19 across the country in 2021, response measures were actively carried out nationwide. Medical institutions also adopted quarantine visits, care restrictions and other measures. The number of out-patient and in-patient visits across the country increased as compared with that of 2020 but decreased as compared with the level before the outbreak of the COVID-19. The COVID-19 will continue to have significant adverse impacts on the demand for medical services. The Company made continuous efforts, overcame difficulties, assisted and cooperated with medical institutions and downstream customers and actively responded to challenges brought about by the COVID-19.

The national healthcare reform policies entered into full implementation in 2021. The negotiations on medical insurance, the sixth round of centralised procurement, the volume-based procurements of high-value consumables and DRGs/DIP are exerting far-reaching influence on the medical industry. Leveraging its ample product portfolios and extensive market coverage, the Company maintained strong resistance to risks. The Company fully predicted industry policies and carried out layout in advance to respond actively. Through various means such as the upgrading and updating of products, sound cost control and expansion of grass-roots markets, the Company seized opportunities and expanded its market share.

The government boosted efforts in encouraging innovation in medical devices. As the R&D and approval of new products sped up, enterprises engaged in innovation in medical devices displayed unprecedented vitality. The Company seized opportunities, increased investment and accelerated in R&D activities. Meanwhile, it strategically conducted communications and cooperation with such innovative startups to accelerate the introduction and market access of new products. The Company sped up the improvement of product portfolios to respond to market changes.

The Company continuously improves and enhances governance and promotes strategies on sustainable development to facilitate long-term and high-quality development. It highlights responsible operation and meets the social demands for medical products with high-quality products. The Company emphasises the green development concept and implements the concept, targets and action measures on energy saving and emission reduction in production and operation.

As a leading domestic platform-based medical devices company, the Company enjoys significant competitiveness on the following aspects:

Outstanding corporate culture and distinguished market reputation and brand influence. The Company always practices the corporate culture of conscience, honesty and loyalty to meet clinical demands. With the strong rigid demand in the market, the implementation of volume-based procurements and the efficiency improvement in industrial chains on medical devices and consumables, it will significantly facilitate the Company to rapidly expand its market share.

Open, inclusive and sharing platform advantages. The Company promotes the coordination and cooperation of all segments and the sharing of resources to fully stimulate the flexibility and vitality of all segments. Through strategic review, the Company actively cultivates and deploys new business segments with an aim to build them into new growth points.

Solid manufacturing foundations. The Company enjoys remarkable advantages on automation, materials science, cost control, capacity layout and quality control and fully meets the requirements of volume-based procurements on price and quality. The Company will continue to improve its digital management on production and manufacturing, actively deploy new materials, new technologies and new processes to maintain and improve the manufacturing competitiveness.

Customer resources and channel coverage. After year of efforts, the Company has developed an outstanding marketing system applicable to the PRC market. It enhanced channel advantages through further integration of sales channels. The Company continuously sped up the improvement of product portfolios through R&D, cooperation on domestic and foreign products and M&As to give full display to channel advantages.

The Company formulates development strategies and medium and long-term development plans on a rolling basis. Based on the changes in industry policies and competition layout, clinical demands and the accumulation of its own resources, the Company proposed three operation strategies on “platform-based”, “international” and “digital” development and two guarantee strategies on “talents” and “innovation”. It will create long-term and stable value through the implementation of such strategies.

Despite various challenges in the future, the management has full confidence on the long-term and sustainable development of the Company. With its strategic layout in extensive business fields and high-quality products, persistent in adapting to market, future operating strategy and motivating employee creativity, the management believes that the Company will continue to maintain its leading position in the PRC market. Meanwhile, the Company will proactively promote global resource sharing to achieve the coordinated development of domestic and foreign markets, thus supporting the stable growth in the operating results of the Group.

SHARE AWARD SCHEME OF THE COMPANY

On 17 November 2014, the Company's share award scheme (the "Incentive Share Scheme") was adopted by the extraordinary general meeting. 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 existing 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, 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. The life of the Incentive Share Scheme is for 10 years starting from 17 November 2014. Details of the Incentive Share Scheme are set out in the Company's announcement dated 15 August 2014.

For grants of shares that are satisfying specified vesting conditions, the difference between the fair value and the issue price of the vested shares is expensed on a straight-line basis over the periods in which services are expected to be rendered by the relevant employees. The Group recognised the incentive share expenses of approximately RMB3,572,000 (2020: RMB7,903,000) into the profit or loss during the current year.

As of 31 December 2021, the outstanding incentive shares under the Incentive Share Scheme were 16,904,000 (2020: 23,564,000), included 9,922,000 exercisable shares (2020: 9,570,000). During the year ended 31 December 2021, the trustees repurchased 9,108,000 shares (2020: 9,064,000), which would be taken up by the Selected Employees with the net consideration of RMB20,293,000 (2020: RMB52,571,000) at the price of RMB4.43 per share (2020: RMB8.00).

SPIN-OFF AND LISTING OF SHANDONG WEIGAO ORTHOPAEDIC DEVICE COMPANY LIMITED ON A STOCK EXCHANGE IN THE PRC

Reference is made to announcements of the Company dated 28 June 2021 regarding the separate listing of Shandong Weigao Orthopaedic Device Company Limited ("Weigao Ortho") on the Sci-Tech Board of the Shanghai Stock Exchange has been completed and listing of shares of Weigao Ortho commenced on 30 June 2021. Currently, the Company, directly and indirectly, holds approximately 72.18% equity interest in Weigao Ortho.

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.

CHANGE OF BOARD COMPOSITION AND SENIOR MANAGEMENT

Pursuant to Rule 13.51B of the Listing, the change of information on director during the year ended 31 December 2021 was:–

1. Mr. Zhang Hua Wei has tendered resignation as an executive director of the Company with effect from 30 March 2021.
2. Mr. Wang Yi has tendered resignation as an executive director of the Company with effect from 30 March 2021.
3. Mr. Chen Lin has been appointed as a non-executive director of the Company with effect from 8 March 2021.
4. Mr. Tang Zheng Peng has been appointed as a non-executive director of the Company with effect from 8 March 2021.
5. Mr. Long Jing has resigned as chief executive officer of the Company with effect from 30 March 2021 and has been appointed as Chairman and authorized representative of the Company with effect from 30 March 2021.

6. Mr. Cong Rinan has been appointed as chief executive officer and an executive director of the Company with effect from 30 March 2021 and 24 May 2021 respectively.
7. Mr. Lian Xiaoming has been appointed as chief executive officer and a non-executive director of the Company with effect from 30 March 2021 and 24 May 2021.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by Directors. The Company has made enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions.

INTERNAL CONTROL

Directors are responsible for reviewing the internal control and risk management system of the Company periodically to ensure its effectiveness and efficiency. With the support of the internal audit department, they will review the practices, procedures, expenditure and internal control of the Company and its subsidiaries on a regular basis. The management will regularly monitor the concerns as reported by the internal audit department to ensure appropriate remedial measures have been implemented. The Board or senior management can also request the internal audit group to review the specific scope of concerns and report the significant findings of such review to the Board and the audit committee.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to the recent outbreak of COVID-19 Omicron and the measures introduced to contain the spread of it in Weihai, Hong Kong and certain regions of China. The unaudited annual results contained in this announcement have not been agreed with the Company's auditor. An announcement relating to the audited results will be made when the auditing process has been completed by the Company's auditor in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non-executive directors, namely Mr. Lo Wai Hung, Mrs. Fu Mingzhong, Mrs. Wang Jinxia and one non-executive director, Mr. Tang Zhengpeng. The Chairman of the Audit Committee is Mr. Lo Wai Hung.

CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON EXECUTIVE DIRECTORS

The Company confirmed that it had received the annual confirmation of independence from each of the Independent Non-executive Directors in compliance with Rule 3.13 of the Listing Rules on 29 March 2022. The Company is of the view that the Independent Non-executive Directors remain independent during the year ended 31 December 2021 in accordance with the relevant requirements of Rule 3.13 of the Listing Rules.

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 maintain 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 2021.

PUBLICATION OF FURTHER ANNOUNCEMENT, THE FINAL RESULTS AND ANNUAL REPORT

This unaudited annual results announcement is published on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.weigaogroup.com>).

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2021 as agreed by the Company's auditor and the accounting adjustment or material differences (if any) as compared with the unaudited annual results contained herein, (ii) the confirmed final dividend recommended for the year ended 31 December 2021, (iii) the payment date, book closure period as well as record date of such proposed final dividend, and (iv) the proposed annual general meeting date, book closure period and record date of the 2021. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed and published on or before 14 April 2022.

The 2021 annual report will be published on the websites of the Stock Exchange and the Company and also be dispatched to the Shareholders in due course.

The financial information contained in this announcement in respect of the annual results of the Group has not been audited and have not been agreed with the auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Long Jing
Chairman

29 March 2022

Weihai, Shandong Province, the PRC

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

Mr. Long Jing (*Executive Director*)

Mr. Cong Rinan (*Executive Director*)

Mr. Lian Xiaoming (*Non-executive Director*)

Mr. Chen Lin (*Non-executive Director*)

Mr. Tang Zhengpeng (*Non-executive Director*)

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

Mrs. Fu Mingzhong (*Independent non-executive Director*)

Mrs. Wang Jinxia (*Independent non-executive Director*)