

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

SUMMARY

For the six months ended 30 June 2022 (the “**Period**”), the unaudited revenue of Shandong Weigao Group Medical Polymer Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) was approximately RMB6,975,420,000, representing an increase of approximately 12% over approximately RMB6,229,604,000 for the same period last year.

The unaudited net profit attributable to the shareholders of the Group for the six months ended 30 June 2022 was approximately RMB1,459,106,000, representing an increase of approximately 20.6% over approximately RMB1,209,394,000 for the same period last year.

Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB1,391,075,000 (same period in 2021: approximately RMB1,209,394,000), representing an increase of approximately 15.0% as compared with the same period last year. (Note 1)

Note 1: During the period, extraordinary items include:

- (1) Shandong WEGO Blood Purification Products Co., Ltd. (“**Wego Blood Purification**”) issued new shares to investors, and the Company’s equity was diluted from 28.0871% to 26.55%, resulting in a gain of approximately RMB102,405,000.*
- (2) The Company recognized the post tax incentive share expenses of approximately RMB34,374,000 under the share award scheme granted on 24 December 2021.*

The board of directors (the “**Board**”) proposed the distribution of an interim dividend for the six months ended 30 June 2022 of RMB0.086 per share (same period in 2021: RMB0.077 per share). The proposal is subject to the approval of shareholders of the Company (“**Shareholders**”) at the forthcoming extraordinary general meeting.

* For identification purpose only

UNAUDITED CONSOLIDATED INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022, together with the unaudited comparative figures for the same period in 2021 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		For the six months ended	
		30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
Revenue	3	6,975,420	6,229,604
Cost of sales		(3,442,088)	(2,634,737)
Gross profit		3,533,332	3,594,867
Other income, gain and loss		335,115	85,268
Impairment losses under expected credit loss model		(26,337)	(34,800)
Selling expenses		(1,198,935)	(1,302,014)
Administration expenses		(510,247)	(554,170)
Research and development expenses		(244,573)	(205,923)
Finance costs	5	(71,582)	(68,695)
Share of results of associates		40,185	39,002
Share of results of joint ventures		(1,023)	–
Profit before taxation	6	1,855,935	1,553,535
Income tax expense	7	(264,378)	(254,367)
Profit for the Period		<u>1,591,557</u>	<u>1,299,168</u>

		Unaudited	
		For the six months ended	
		30 June	
		2022	2021
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income			
Exchange difference on translation of foreign operations			
		<u>181,827</u>	<u>(33,402)</u>
Total comprehensive income for the Period			
		<u>1,773,384</u>	<u>1,265,766</u>
Profit for the Period attributable to:			
Owners of the Company			
8		1,459,106	1,209,394
Non-controlling interest			
		<u>132,451</u>	<u>89,774</u>
		<u>1,591,557</u>	<u>1,299,168</u>
Total comprehensive income attributable to:			
Owners of the Company			
		1,627,364	1,181,042
Non-controlling interest			
		<u>146,020</u>	<u>84,724</u>
		<u>1,773,384</u>	<u>1,265,766</u>
		<i>RMB</i>	<i>RMB</i>
Earnings per share (Basic)			
10		<u>0.32</u>	<u>0.27</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2022 (Unaudited) <i>RMB'000</i>	As at 31 December 2021 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	<i>11</i>	5,919,633	5,719,370
Right-of-use assets		497,849	476,317
Investment properties		124,907	133,788
Goodwill		3,509,758	3,348,497
Deposits paid for acquiring property, plant and equipment		481,932	467,730
Intangible assets		1,795,078	1,798,577
Interests in associates	<i>12</i>	1,289,491	1,138,901
Interests in joint ventures	<i>13</i>	335,227	180,757
Financial assets at fair value through profit or loss		100,943	100,943
Deferred tax assets		171,255	156,462
Finance lease receivables		44,185	40,959
Loan receivables		327,379	318,811
Prepayments		74,945	79,353
Other non-current assets		308,687	293,247
		14,981,269	14,253,712
Current assets			
Inventories	<i>14</i>	1,873,539	1,734,557
Loan receivables		478,120	428,514
Trade and other receivables	<i>15</i>	7,072,409	6,045,579
Debt instruments at fair value through other comprehensive income		430,410	419,752
Finance lease receivables		108,626	85,122
Financial assets at fair value through profit or loss		–	10,000
Pledged bank deposits	<i>16</i>	989,897	760,895
Bank balances and cash	<i>17</i>	6,716,663	6,628,927
		17,669,664	16,113,346

		As at 30 June 2022 (Unaudited) <i>RMB'000</i>	As at 31 December 2021 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
Current liabilities			
Financial liabilities at fair value through profit or loss		33,030	56,694
Trade and other payables	18	4,358,323	3,952,044
Contract liabilities		353,705	310,866
Borrowings		913,262	601,328
Taxation payable		216,251	149,633
Deferred income		6,214	8,816
Lease liabilities		15,905	22,988
Provisions		10,384	10,606
		<u>5,907,074</u>	<u>5,112,975</u>
Net current assets		<u>11,762,590</u>	<u>11,000,371</u>
Total assets less current liabilities		<u><u>26,743,859</u></u>	<u><u>25,254,083</u></u>
Capital and reserves			
Share capital	19	457,063	457,063
Reserves	20	20,156,525	18,810,028
Equity attributable to owners of the Company		<u>20,613,588</u>	19,267,091
Non-controlling interest		<u>1,721,435</u>	1,640,359
Total equity		<u>22,335,023</u>	<u>20,907,450</u>
Non-current liabilities			
Financial liabilities at fair value through profit or loss		–	199
Borrowings		2,462,938	2,462,688
Bonds payable		993,264	992,549
Deferred income		81,482	84,765
Deferred income tax liabilities		227,713	222,620
Contract liabilities		10,558	3,305
Lease liabilities		85,081	57,857
Provisions		547,800	522,650
		<u>4,408,836</u>	<u>4,346,633</u>
		<u><u>26,743,859</u></u>	<u><u>25,254,083</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow from operating activities	1,045,686	1,367,394
Net cash outflow from investing activities	(1,025,420)	(1,946,916)
Net cash before financing activities	20,266	(579,522)
Net cash inflow/(outflow) from financing activities	(4,754)	1,503,131
Net increase in cash and cash equivalents	15,512	923,609
Bank balances and cash as at beginning of Period	6,628,927	5,665,656
Effect of foreign exchange rate changes, net	72,224	(8,694)
Bank balances and cash as at the end of Period	<u>6,716,663</u>	<u>6,580,571</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Balance as at 1 January (Audited)	19,267,091	18,033,580
Net profit for the Period	1,459,106	1,209,394
Business combination under common control	–	(1,202,745)
Disposal of partial interest in a subsidiary	–	719,081
Dividends recognised as distribution	(292,853)	–
Share-based payments	46,986	22,452
Repurchase of shares under a share incentive scheme	(35,000)	(36,432)
Exchange gains and losses arising from foreign currency transactions	168,258	(28,352)
	<u>20,613,588</u>	<u>18,716,978</u>
Balance as at 30 June (Unaudited)	<u>20,613,588</u>	<u>18,716,978</u>

NOTES:

1. Overview

The Company was incorporated as a joint stock company with limited liability on 28 December 2000 in Shandong Province, the People's Republic of China (the “**PRC**”) under the Company Law of the PRC and listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in February 2004 and migrated to the main board in the Stock Exchange in July 2010. The ultimate holding company of the Company is Weihai Weigao International Medical Investment Holding Co Ltd* (威海威高國際醫療投資控股有限公司), a company registered in the PRC with limited liability. Its ultimate controlling shareholder is Mr. 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 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 unaudited condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the Company.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with No.34 “Interim Financial Reporting” of Hong Kong Accounting Standards (“**HKAS**”) issued by the Hong Kong Institute of Certified Public Accountants, the accounting principles generally accepted in Hong Kong, Hong Kong Financial Reporting Standards and the relevant applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The accounting policies adopted and methods of computation used in the preparation of these consolidated financial information are consistent with those used in the preparation of the financial statements for the year ended 31 December 2021.

The Group has applied certain new standards and revised standards and interpretations for the financial year beginning on 1 January 2022. The adoption of these new standards and revised standards and interpretations has had no material impact on the Group's financial positions and performance for the current period and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statement.

Such financial statements shall be read in conjunction with the audited annual financial statements for the year ended 31 December 2021.

3. Revenue

Revenue represents the fair value of the consideration received and receivable for goods sold by the Group to external customers after deducting sales related tax and sales returns during the Period.

4. 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 operate finance lease and factoring businesses in the PRC.

For management purposes, the Group is currently organised into six operating divisions – medical device products, orthopaedic products, interventional products, pharma packaging, blood management and others. These divisions are segmented on the basis of internal reporting of the Group that are regularly reviewed by the chief operating decision maker for allocating resources to the segments and assessing their performance.

The principal activities of the Group's operating segments are as follows:

Medical device products	—	production and sale of clinical care, wound management, medical testing devices, anesthesia and surgical related products.
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	—	production and sale of blood bag products, blood transfusion equipment and blood irradiators.
Others	—	finance lease and factoring businesses.

The segment information and results of those businesses are as follows:

For the six months ended 30 June 2022 (Unaudited)

	Medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Interventional products <i>RMB'000</i>	Pharma packaging <i>RMB'000</i>	Blood management <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue								
External sales	3,552,919	1,090,916	785,928	1,056,174	489,483	-	-	6,975,420
Inter-segment sales	28,931	-	-	-	3,824	-	(32,755)	-
Total	<u>3,581,850</u>	<u>1,090,916</u>	<u>785,928</u>	<u>1,056,174</u>	<u>493,307</u>	<u>-</u>	<u>(32,755)</u>	<u>6,975,420</u>
Segment profit	<u>595,013</u>	<u>447,224</u>	<u>89,040</u>	<u>451,853</u>	<u>96,643</u>	<u>30,633</u>	<u>-</u>	1,710,406
Depreciation of investment properties								(2,618)
Unallocated other income, gain and losses								(5,057)
Rental income of investment properties								5,766
Bank interest income								46,311
Share of results of associates								40,185
Share of results of joint ventures								(1,023)
Gain on deemed disposal of investments in an associate								102,405
Share-based payment expenses								(40,440)
Profit before taxation								<u>1,855,935</u>

For the six months ended 30 June 2021 (Unaudited)

	Medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Interventional products <i>RMB'000</i>	Pharma packaging <i>RMB'000</i>	Blood management <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue								
External sales	2,984,798	1,084,445	752,793	957,723	449,845	-	-	6,229,604
Inter-segment sales	78	1,527	-	-	2,000	-	(3,605)	-
Total	<u>2,984,876</u>	<u>1,085,972</u>	<u>752,793</u>	<u>957,723</u>	<u>451,845</u>	<u>-</u>	<u>(3,605)</u>	<u>6,229,604</u>
Segment profit	<u>508,959</u>	<u>432,335</u>	<u>73,546</u>	<u>356,321</u>	<u>92,022</u>	<u>25,441</u>	<u>-</u>	1,488,624
Depreciation of investment properties								(2,566)
Unallocated other income, gain and losses								(10,151)
Rental income of investment properties								6,013
Bank interest income								32,613
Share of results of an associate								39,002
Profit before taxation								<u>1,553,535</u>

5. Finance costs

Finance costs for the six months ended 30 June 2022 were approximately RMB71,582,000 (same period in 2021: approximately RMB68,695,000), which were mainly interest expenses on bank borrowings.

6. Profit before taxation

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging (crediting) the followings:		
Allowances for credit losses	26,337	34,800
Allowances for inventories	6,352	4,854
Amortization of intangible assets (included in administration expenses)	122,295	113,410
Depreciation of property, plant and equipment	260,823	217,344
Depreciation of investment properties	2,618	2,566
Depreciation of right-of-use assets	14,952	11,188
Cost of inventory recognized as expenses	3,442,088	2,634,737
Staff costs, including directors' and supervisors' remuneration		
Retirement benefits scheme contribution	58,150	50,710
Salaries and other allowances	1,022,285	979,548
Share-based payment expenses	48,250	25,039
Total staff costs	<u>1,128,685</u>	<u>1,055,297</u>
Losses on disposal of property, plant and equipment	<u>(307)</u>	<u>2,356</u>

7. Income tax expense

Under the Law of the People's Republic of China on Enterprise Income Tax (“**EIT Law**”) and Implementation Regulations of EIT Law, the tax rate of PRC subsidiaries is 25%.

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation Regarding Certain Preferential Treatment Policies on Enterprise Income Tax, new and high technology enterprises are subject to income tax at a tax rate of 15%.

The Company, Jierui Subsidiary, Shandong Weigao Orthopaedic Device Company Limited (“**Weigao Orthopaedic**”), Weigao Jiesheng Medical Devices Co., Ltd.* (威高潔盛醫療器械有限公司) and Shandong Weigao Puri Pharmaceutical Packaging Co., Ltd.* (山東威高普瑞醫藥包裝有限公司) were recognized as Shandong Province New and High Technology Enterprises (山東省高新技術企業), and Changzhou Jianli Bangde Medical Devices Co., Ltd. (“**Changzhou Jianli Bangde**”) was recognized as Jiangsu Province New and High Technology Enterprises (江蘇省高新技術企業). Therefore, they are subject to income tax at a rate of 15%.

Jierui Subsidiary was recognised as a “Social Welfare Entity”. Pursuant to Cai Shui [2016] No. 52 issued by the Ministry of Finance and the State Administration of Taxation, with effect from 1 May 2016, Jierui Subsidiary is also subject to an income tax at a tax rate of 15% and an amount equivalent to the total salaries paid to staff with physical disability is further deducted from the assessable profit of Jierui Subsidiary. The tax charge provided for the period ended 30 June 2022 was made after taking these tax incentives into account.

Taxation for other PRC subsidiaries is computed at a tax rate of 25% (2021: 25%).

In the US, the Group is subject to the Federal corporate income tax at a tax rate of 21% plus tax rate of state governments.

8. Profit attributable to owners of the Company

For the six months ended 30 June 2022, net profit attributable to owners of the Group was approximately RMB1,459,106,000 (same period in 2021: approximately RMB1,209,394,000).

9. Dividends

The Board recommends the distribution of an interim dividend of RMB0.086 per share for the six months ended 30 June 2022 (same period in 2021: RMB0.077 per share).

10. Earnings per share

For the six months ended 30 June 2022, basic earnings per share was calculated based on the net profits attributable to shareholders of approximately RMB1,459,106,000 (same period in 2021: approximately RMB1,209,394,000) and the weighted average total number of shares of 4,500,994,406 shares (same period in 2021: 4,498,768,324 shares).

For the six months ended 30 June 2022, diluted earnings per share was RMB0.32.

11. Property, plant and equipment

	Construction in progress <i>RMB'000</i>	Freehold land <i>RMB'000</i>	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixtures equipment and tools <i>RMB'000</i>	Total <i>RMB'000</i>
COST							
As at 1 January 2021 (Audited)	1,058,645	7,954	3,271,938	2,137,950	108,185	897,930	7,482,602
Additions	430,769	–	–	311,444	7,834	94,233	844,280
Transfer	(911,271)	–	502,070	329,697	–	79,504	–
Transfer from investment properties	–	–	64,657	–	–	–	64,657
Transfer to investment properties	–	–	(60,695)	–	–	–	(60,695)
Acquisition of a subsidiary	–	–	4,140	4,622	–	–	8,762
Disposals	–	–	–	(22,611)	(42,847)	(60,874)	(126,332)
Disposal of a subsidiary	–	–	–	–	–	–	–
Adjustment on exchange rate	(1,002)	(182)	(1,187)	(2,790)	(127)	(1,604)	(6,892)
As at 31 December 2021 (Audited)	577,141	7,772	3,780,923	2,758,312	73,045	1,009,189	8,206,382
Additions	365,987	–	13,581	73,360	7,321	23,366	483,615
Transfer	(122,369)	–	4,500	84,081	–	33,788	–
Transfer from investment properties	–	–	8,000	–	–	–	8,000
Disposals	(26,116)	–	(7,445)	(13,155)	(2,662)	(1,622)	(51,000)
Adjustment on exchange rate	1,754	409	3,185	8,080	84	3,341	16,853
As at 30 June 2022 (Unaudited)	796,397	8,181	3,802,744	2,910,678	77,788	1,068,062	8,663,850

	Construction in progress	Freehold land	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures equipment and tools	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
DEPRECIATION							
As at 1 January 2021 (Audited)	10,776	–	531,209	1,019,797	53,930	504,225	2,119,937
Provision for the year	–	–	119,339	195,168	7,571	124,094	446,172
Transfer from investment properties	–	–	10,226	–	–	–	10,226
Transfer to investment properties	–	–	(3,970)	–	–	–	(3,970)
Eliminated on disposals	–	–	–	(12,460)	(17,394)	(53,848)	(83,702)
Adjustment on exchange rate	–	–	(207)	(724)	(25)	(695)	(1,651)
As at 31 December 2021 (Audited)	10,776	–	656,597	1,201,781	44,082	573,776	2,487,012
Provision for the year	–	–	65,202	119,036	3,051	73,534	260,823
Transfer from investment properties	–	–	1,773	–	–	–	1,773
Eliminated on disposals	–	–	(244)	(7,176)	(1,818)	(549)	(9,787)
Adjustment on exchange rate	–	–	623	1,999	51	1,723	4,396
As at 30 June 2022 (Unaudited)	<u>10,776</u>	<u>–</u>	<u>723,951</u>	<u>1,315,640</u>	<u>45,366</u>	<u>648,484</u>	<u>2,744,217</u>
CARRYING VALUES							
As at 30 June 2022 (Unaudited)	<u>785,621</u>	<u>8,181</u>	<u>3,078,793</u>	<u>1,595,038</u>	<u>32,422</u>	<u>419,578</u>	<u>5,919,633</u>
As at 31 December 2021 (Audited)	<u>566,365</u>	<u>7,772</u>	<u>3,124,326</u>	<u>1,556,531</u>	<u>28,963</u>	<u>435,413</u>	<u>5,719,370</u>

12. Interests in associates

Name	Country of incorporation/ registration	Principal place of business	Proportion of nominal value of registered capital held by the Group		Principal activities
			30 June 2022	31 December 2021	
Shandong WEGO Blood Purification Products Co., Ltd. (“Weigao Blood Purification”)	PRC	PRC	26.55%	28.0871%	Manufacturing of hemo-dialysis products and related consumables.
Hunan Smart Medi-label System Info&Tech Ltd.	PRC	PRC	20.0%	–	Information Technology Services
				30 June 2022	31 December 2021
				(Unaudited)	(Audited)
				RMB’000	RMB’000
Cost of unlisted investment, at cost				945,500	937,500
Share of post-acquisition earnings				343,991	201,401
				1,289,491	1,138,901

13. Interests in joint ventures

Name	Country of incorporation/ registration	Principal place of business	Proportion of nominal value of registered capital held by the Group		Principal activities
			30 June 2022	31 December 2021	
Qingdao Songyuan First Phase Medical Investment Partnership (Limited Partnership)	PRC	PRC	38.5%	38.5%	Investment in companies in medical industry
Weihai Shangyuan Phase I Venture Capital Partnership (Limited Partnership)	PRC	PRC	19.8%	19.8%	Venture capital
			30 June 2022	31 December 2021	
			(Unaudited)	(Audited)	
			RMB'000	RMB'000	
Cost of investment in joint ventures			336,730	182,730	
Share of post-acquisition loss and other comprehensive income			(1,554)	(531)	
Exchange adjustments			51	(1,442)	
			335,227	180,757	

14. Inventories

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Raw materials	502,189	344,151
Finished goods	1,371,350	1,390,406
	1,873,539	1,734,557

15. Trade and other receivables

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
0 to 90 days	2,901,405	2,568,131
91 to 180 days	1,147,735	1,147,653
181 to 365 days	1,130,113	993,716
Over 365 days	595,958	317,008
	<hr/>	<hr/>
Trade receivables	5,775,211	5,026,508
Receivables from factoring business	164,500	74,092
Other receivables	529,421	513,537
Prepayments	678,222	510,795
	<hr/>	<hr/>
	7,147,354	6,124,932
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current assets	7,072,409	6,045,579
Non-current assets	74,945	79,353
	<hr/>	<hr/>
	7,147,354	6,124,932
	<hr/> <hr/>	<hr/> <hr/>

16. Pledged bank deposits

The amounts represented deposits pledged to banks to secure trade facilities granted to the Group and the issuance of letter of guarantee. The amounts had been pledged to secure against the short-term bank loans and bank credit facilities and are therefore classified as current assets. The bank deposits carry interest rates ranging from 0.3% to 1.3% (same period in 2021: 0.3% to 1.61%) per annum.

17. Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of one year or less, the interest rate of which ranges from 1.15% to 2.1% (same period in 2021: 1.15% to 4.125%) per annum.

18. Trade and other payables

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
0 to 90 days	1,052,901	876,043
91 to 180 days	262,265	257,150
181 to 365 days	137,430	113,021
Over 365 days	107,406	90,572
Trade payables	1,560,002	1,336,786
Bills payable	273,728	332,164
Other tax payables	126,248	116,185
Construction cost and retention payables	65,272	64,490
Selling expense payables	855,096	889,433
Other payables	1,202,958	1,212,986
Dividend payable	275,019	–
	4,358,323	3,952,044
Analysed for reporting purposes as:		
Current liabilities	4,358,323	3,952,044
Non-current liabilities	–	–
	4,358,323	3,852,044

19. Share capital

	Nominal value of each share RMB	Number of unlisted shares	Number of H shares	Total number of shares	Value RMB'000
As at 1 January 2021 (Audited)	0.1	–	4,522,332,324	4,522,332,324	452,233
As at 31 December 2021 (Audited)	0.1	48,300,000	4,522,332,324	4,570,632,324	457,063
As at 30 June 2022 (Unaudited)	0.1	48,300,000	4,522,332,324	4,570,632,324	457,063

20. Movement in reserves

	Share capital RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 <i>Note</i>	Translation reserve RMB'000	Share-based payments reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2021 (Audited)	452,233	2,575,060	257,956	(93,271)	99,561	1,280,529	13,461,512	18,033,580	845,108	18,878,688
Profit for the year	-	-	-	-	-	-	2,244,778	2,244,778	181,850	2,426,628
Total other comprehensive income for the year	-	-	-	(69,801)	-	-	-	(69,801)	(11,681)	(81,482)
Total comprehensive income for the year	-	-	-	(69,801)	-	-	2,244,778	2,174,977	170,169	2,345,146
Business combination under common control	-	-	-	-	-	(1,202,366)	-	(1,202,366)	-	(1,202,366)
Disposal of partial interest in a subsidiary	-	-	-	-	-	761,120	-	761,120	621,165	1,382,285
Adoption of share award scheme	4,830	168,084	-	-	-	(160,539)	-	12,375	-	12,375
Recognition of equity-settled share-based payments	-	-	-	-	72,575	-	-	72,575	3,917	76,492
Repurchase of shares under a share award scheme	-	-	-	-	(20,636)	343	-	(20,293)	-	(20,293)
Recognition of sales of repurchased shares under a share award scheme	-	-	-	-	-	88,411	-	88,411	-	88,411
Dividends recognised as distribution	-	-	-	-	-	-	(653,288)	(653,288)	-	(653,288)
At 31 December 2021 (Audited)	457,063	2,743,144	257,956	(163,072)	151,500	767,498	15,053,002	19,267,091	1,640,359	20,907,450
Profit for the year	-	-	-	-	-	-	1,459,106	1,459,106	132,451	1,591,557
Exchange differences arising on translation of foreign operations – Subsidiaries	-	-	-	168,258	-	-	-	168,258	13,569	181,827
Total comprehensive income for the year	-	-	-	168,258	-	-	1,459,106	1,627,364	146,020	1,773,384
Share-based payments	-	-	-	-	46,986	-	-	46,986	1,264	48,250
Repurchase of shares under a share award scheme	-	-	-	-	(19,820)	(15,180)	-	(35,000)	-	(35,000)
Derecognition of a subsidiary	-	-	-	-	-	-	-	-	(8,342)	(8,342)
Dividends recognised as distribution	-	-	-	-	-	-	(292,853)	(292,853)	(57,866)	(350,719)
As at 30 June 2022 (Unaudited)	<u>457,063</u>	<u>2,743,144</u>	<u>257,956</u>	<u>5,186</u>	<u>178,666</u>	<u>752,318</u>	<u>16,219,255</u>	<u>20,613,588</u>	<u>1,721,435</u>	<u>22,335,023</u>

Notes:

(a) Bases for appropriation to reserves

Appropriation to statutory surplus reserve and statutory public welfare fund has been calculated based on the net profits in the financial statement prepared under the generally accepted accounting principles in the PRC (“PRC GAAP”).

(b) *Statutory surplus reserve*

The Articles of Association of the companies under the Group (other than overseas companies) requires that 10% of the profit after taxation for each year should be transferred to the statutory surplus reserve in accordance with the PRC GAAP, until it has reached 50% of the registered capital. Pursuant to the Articles of Association of the companies under the Group, under normal circumstances, statutory surplus reserve can only be used to make up for the losses, converted into share capital by way of capitalization, and for the expansion of the Company's production and operation scope. In the event of converting the statutory surplus reserve into share capital by way of capitalization, the balance of such reserve shall not be less than 25% of the registered capital.

(c) *Statutory public welfare fund*

According to the Company Law of the PRC and the amended Articles of Association of the Company, from 1 January 2006 onwards, the companies under the Group ceased to transfer funds from statutory public welfare fund. The statutory public welfare fund as of 31 December 2005 was part of the share capital of the shareholders, which cannot be distributed other than for the purpose of liquidation. Pursuant to the board resolution of the Company, in accordance with the Company Law of the PRC, the Company transferred an amount of RMB17,147,000 from statutory public welfare fund to the statutory surplus reserve on 1 January 2006.

According to the laws and regulations of the PRC, the distributable profit of the Company was determined at the lower of such amount computed based on the accounting principles and regulations of the PRC or the generally accepted accounting principles in Hong Kong. As of 30 June 2022, the retained earnings available for distribution to shareholders was approximately RMB8,081,026,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimization and Upgrade of Business Segments

During the Period, the gross profit margin of the Group decreased from 57.7% for the corresponding period of last year to 50.7%. The Group proactively responded to national and regional volume-driven procurements by lowering the selling prices of some of the products. The impact of such price cuts on gross profit margin was partially offset by the Group's reduction in production costs. Moreover, the impact of volume-driven procurements on operating profit was offset by the reduction in operating expenses. The product mix of the Group was further adjusted and optimised, thus further enhancing its risk resistance capability.

The major products under each business segment are as follows:

1. During the Period, the clinical care business recorded a turnover of approximately RMB2,297,879,000, representing an increase of 9.2% over the corresponding period. The Group seized the opportunity of volume-driven procurements of different products in various provinces to quickly increase its sales and market share. Meanwhile, it maintained its growth through product mix and new customer development. Looking forward into the future, the Group will continue to enrich its product mix, and leverage the strong scalable strengths of the Company to continue maintaining and further increasing its dominant market position.
2. During the Period, the pharmaceutical packaging business recorded a turnover of approximately RMB1,056,174,000, representing a growth of 10.3% over the corresponding period of last year. The continuous robust demand for prefilled syringes further expanded its market influence in the pre-pack bio-pharmaceuticals segment and formed a broad customer base. Subject to international logistics and other factors, the commissioning time of new production equipment was slightly delayed, but faster growth was still achieved year-on-year. The revenue of flushing syringes decreased year-on-year due to reduction in price while sales volume increased significantly. The Group will continue its efforts to increase the market penetration and sales of flushing syringes to compensate the impact of price reductions.

3. During the Period, the orthopaedic business recorded a turnover of approximately RMB1,090,916,000, representing an increase of 0.6% over the corresponding period of last year. The sales volume of the Group grew rapidly as volume-driven procurements of joint products were implemented across the country. The Group seized the opportunity of volume-driven procurements nationwide to rapidly tap into uncovered hospital markets and captured the market share. In doing so, the Group further consolidated its market position in the spine segment and enhanced its all-round market competitiveness in joint, trauma, sports medicine and regenerative medicine segments.
4. During the Period, the interventional business recorded a turnover of approximately RMB892,966,000, representing an increase of 3.2% over the corresponding period of last year. Subject to supply chain, Argon has delayed the delivery of certain orders, thereby affected its revenue growth. Although affected by the pandemic outbreak in Shanghai, the business of Argon in China continued to grow at a relatively faster rate and contribution from the China market was further enhanced. The growth rate of Argon's business is expected to increase as the supply chain issues are addressed one after another. In future, the Group will continue to expand the sales of Argon's products in the China market through internal resources sharing.

RESEARCH AND DEVELOPMENT

For the six months ended 30 June 2022, the Group obtained 55 new patents and 162 patents are under application in the PRC. New product registration certificates for 30 products were obtained. The research and development for 35 products were completed for which application for product registration certificates are underway. Overseas, 13 new patents are under application and the research and development for 165 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 Company's core competitiveness and laid a solid foundation to fully leverage on its customer resources and provided the Group with continuous new profit growth drivers.

As at 30 June 2022, the Group had 584 product registration certificates and 698 patents, of which 104 were patents on invention, in the PRC. For overseas market, the Group had 772 product registration certificates and 203 patents.

In view of the need for the strategic adjustments to product mix, the Group continued to invest in the research and development in existing products series and new medical devices, so as to further improve its product mix under sub-classification of medical devices product types. For the six months ended 30 June 2022, total research and development expenses amounted to approximately RMB244,573,000 (same period in 2021: approximately RMB205,923,000), representing 3.5% (same period in 2021: 3.3%) of the revenue of the Group.

PRODUCTION

During the Period, the Group continued to increase its investments in the capacity building and production facilities to meet the increasing sales and market growth in the future. At the same time, the Group actively strives for the improvement in production process and intelligent production equipment and automation to reduce production costs through efficiency improvement and scientific management, so as to maintain the overall profitability of the Company.

SALES AND MARKETING

The Group continues to implement the strategy in integrating its sales channels and adjusting its product mix. For the six months ended 30 June 2022, the Group newly added 388 hospitals, 8 other medical institutions and 217 distributors to its PRC customer base. As at the date of this announcement, the Group has a PRC customer base of 8,595 in aggregate (including 3,503 hospitals, 414 blood stations, 1,109 other medical units and 3,569 distributors) and an overseas customer base of 6,953 in aggregate (including 3,430 hospitals, 1,606 other medical units and 1,917 distributors).

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

Turnover by Geographical Locations

Regions	For the six months ended 30 June				Over
	2022		2021		corresponding
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	period
					%
The PRC					
– Eastern and Central	2,691,951	38.5	2,369,163	38.0	13.6
– Northern	1,217,516	17.5	1,140,321	18.3	6.8
– Northeast	528,867	7.6	430,780	6.9	22.8
– Southern	531,235	7.6	452,337	7.3	17.4
– Southwest	422,168	6.1	415,000	6.7	1.7
– Northwest	123,880	1.8	118,828	1.9	4.3
PRC sub-total	<u>5,515,617</u>	<u>79.1</u>	<u>4,926,429</u>	<u>79.1</u>	<u>12.0</u>
Overseas					
– The US	612,627	8.8	577,273	9.3	6.1
– Europe, Middle East and Africa	299,952	4.3	258,314	4.1	16.1
– Asia	375,786	5.3	330,309	5.3	13.8
– Others	171,438	2.5	137,279	2.2	24.9
Overseas sub-total	<u>1,459,803</u>	<u>20.9</u>	<u>1,303,175</u>	<u>20.9</u>	<u>12.0</u>
Total	<u><u>6,975,420</u></u>	<u><u>100.0</u></u>	<u><u>6,229,604</u></u>	<u><u>100.0</u></u>	<u><u>12.0</u></u>

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

Product category	For the six months ended 30 June		Over
	2022	2021	corresponding
	<i>RMB'000</i>	<i>RMB'000</i>	period
			<i>%</i>
Clinical care	2,297,879	2,104,557	9.2
Wound management	245,645	196,509	25.0
Blood management	489,483	449,845	8.8
Pharma packaging products	1,056,174	957,723	10.3
Medical testing	161,226	125,955	28.0
Anesthesia and surgical related products	144,316	117,962	22.3
Orthopaedic products	1,090,916	1,084,445	0.6
Interventional products	892,966	865,388	3.2
Other consumables	596,815	327,220	82.4
Total	<u>6,975,420</u>	<u>6,229,604</u>	<u>12.0</u>

HUMAN RESOURCES

As at 30 June 2022, the Group employed a total of 11,476 employees. The breakdown by departments when compared with last year is as follows:

Department	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Production	5,739	5,589
Sales and marketing	2,955	2,846
Research and development	1,255	1,229
Finance and administration	564	551
Quality control	545	519
Management	331	308
Purchasing	87	81
Total	11,476	11,123

A total of 1,203 overseas employees reside in the US, Europe and Hong Kong. Other employees of the Group reside in Mainland China. During the Period, total cost of salaries, welfare and social benefits of the Group amounted to approximately RMB1,128,685,000 (same period in 2021: approximately RMB1,055,297,000).

Remuneration System

The Group's remuneration policy has been determined based on its performance, 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 the annual general meeting.

FINANCIAL REVIEW

For the six months ended 30 June 2022, the turnover reached approximately RMB6,975,420,000, representing an increase of approximately 12.0% over the same period last year. Net profit attributable to shareholders was approximately RMB1,459,106,000, representing an increase of approximately 20.6% as compared to the same period last year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB1,391,075,000 (same period in 2021: approximately RMB1,209,394,000), representing an increase of approximately 15.0% as compared with the same period last year. (Note 1)

Note 1: During the period, extraordinary items include:

- (1) *Shandong WEGO Blood Purification Products Co., Ltd. (“Wego Blood Purification”) issued new shares to investors, and the Company’s equity was diluted from 28.0871% to 26.55%, resulting in a gain of approximately RMB102,405,000.*
- (2) *The Company recognized the post tax incentive share expenses of approximately RMB34,374,000 under the share award scheme granted on 24 December 2021.*

Liquidity and Financial Resources

The Group has maintained a sound financial position. As at 30 June 2022, the Group’s cash and bank balance amounted to approximately RMB6,716,663,000. For the six months ended 30 June 2022, net cash flow from operating activities of the Group amounted to approximately RMB1,045,686,000, representing a sound cash flow position.

Total interest expenses of the Group for the six months ended 30 June 2022 were approximately RMB71,582,000 (same period in 2021: approximately RMB68,695,000).

Gearing Ratio

As at 30 June 2022, the gearing ratio of the Group was 21.2% (31 December 2021: 21.1%). 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 domestic 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 six months ended 30 June 2022, 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, foreign exchange gain equivalent to RMB63,668,000 (same period in 2021: foreign exchange loss equivalent to RMB17,308,000) for the six months ended 30 June 2022 was recognized by the Company.

Material Investments in Subsidiaries/Future Material Investment Plans

1. During the Period, the Group continued to invest approximately RMB537,969,000 in production facilities and plant construction for the purpose of enhancing the overall construction of the industrial zone for the Group's medical consumables.
2. 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 RMB308,000,000 has been contributed.
3. During the Period, a new production line project with a planned investment of approximately RMB700,000,000 has been launched and is expected to be successively put in operation in 2024.
4. During the Period, construction is underway for the planned investment of approximately RMB150,000,000 for 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 any future plans involving significant investments or capital assets acquisition as at 30 June 2022.

Capital Commitment

As at 30 June 2022, the capital commitment that the Group and the Company had contracted for but not provided in the financial statements amounted to approximately RMB1,483,740,000 (same period in 2021: approximately RMB1,704,551,000).

REVIEW AND OUTLOOK

In the first half of 2022, the resurgence of the COVID-19 in various regions in China had affected both the supply chains and the businesses of medical institutions. Static management measures were implemented in Weihai, Shandong Province, where the Company's headquarters is located, in March, bringing tremendous challenges to the Company's production and logistics. The Company strives to assist and cooperate with medical institutions and downstream partners continuously to ensure the supply of materials and minimize those adverse effects.

The national healthcare reform policies entered into full implementation continuously. The negotiations on medical insurance, the seventh round of centralised procurement, the volume-based procurements of high-value consumables and DRGs/DIP are exerting far-reaching influence on the medical industry. In the orthopaedic segment, new prices will be implemented one after another after the completion of national and regional centralised procurement of joints, trauma and other products. The national volume-based procurement of spine was also actively promoted, which is expected to be completed by the end of this year. In the clinical care segment, the volume-based procurement of different products will be promoted in various provinces continuously. 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, expanded its market share, and enhanced its competitiveness in the industry.

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 in and accelerated the progress of internal 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 changes of the era.

The Company continuously improves and enhances governance and promotes strategies on sustainable development to facilitate long-term and high-quality development. The Company 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:

1) 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.

2) 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.

3) 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.

4) 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 and strengthen 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.

PROPOSED INTERIM DIVIDEND

The Board recommended the distribution of an interim dividend of the RMB0.086 per share (same period in 2021: RMB0.077 per share) for the six months ended 30 June 2022. Such proposal is subject to the approval of the shareholders of the Company (the “Shareholders”) at the forthcoming extraordinary general meeting (“Extraordinary General Meeting”) to be held on Wednesday, 28 September 2022.

EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Attending and Voting in the Extraordinary General Meeting

In order to determine the shareholders who are entitled to attend and vote at the Extraordinary General Meeting, the register of members of the Company for H Shares will be closed from Wednesday, 21 September 2022 to Wednesday, 28 September 2022 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for attending and voting in the Extraordinary General Meeting, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company’s H Share registrar, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 20 September 2022.

In order to qualify for attending the Extraordinary General Meeting:–

Notice of Extraordinary General Meeting Wednesday, 28 September 2022

Latest time to lodge in the transfer
instrument accompanied
by the share certificates. 4:30 p.m., Tuesday,
20 September 2022

Closure of register of members of
the Company for attendance
of the Extraordinary General Meeting Wednesday, 21 September 2022 to
Wednesday, 28 September 2022

Date of Extraordinary General Meeting Wednesday, 28 September 2022

Entitlement of Interim dividend

In order to determine entitlement to the interim dividend payment, the register of members of the Company for H Shares will be closed from Thursday, 6 October 2022 to Monday, 10 October 2022 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for entitlement of the interim dividend, holders of H Shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share registrar, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 5 October 2022.

In order to qualify to entitle the interim dividend for the six months ended 30 June 2022:

Latest time to lodge in the transfer instrument accompanied
by the share certificates. 4:30 p.m., Wednesday,
5 October 2022

Closure of register of members of the Company for
entitlement of interim dividend Thursday, 6 October 2022 to
Monday, 10 October 2022

Record date for entitlement of
interim dividend Monday, 10 October 2022

Despatch date of interim dividend. Friday, 11 November 2022

The interim dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Friday, 11 November 2022. The applicable exchange rate for converting RMB into Hong Kong dollar for the purpose of the interim dividend payment will be based on the average middle exchange rate of Renminbi as quoted by the People's Bank of China for the calendar week proceeding 28 September 2022, the date on which the interim dividend to be declared.

DISCLOSURE OF INTERESTS

Directors' Interests and Long Position in Shares

As at 30 June 2022, the interests of the directors in the share capital of the Company and their associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”)), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities transactions by Directors of Listed Companies (the “Model Code”) contained in the Listing Rules:

(i) Long positions of H Shares of RMB0.10 each of the Company

Name of Director	Types of interests	Capacity	Total number of H Shares	Approximate percentage of the issued share capital of the Company
Mr. Chen Lin	Personal	Beneficial owner	196,000	0.004%
Mr. Long Jing	Personal	Beneficial owner	960,000	0.021%
Mr. Cong Rinan	Personal	Beneficial owner	400,000	0.009%

In addition, Mr. Chen Lin is the son of Mr. Chen Xue Li, the ultimate de facto controller of Weigao Holding Company Limited.

(ii) Long positions in the registered capital of 威高集團有限公司 (Weigao Holding Company Limited), the holding company

Name of shareholder	Capacity	Amount of registered capital	Approximate percentage of the registered capital of Weigao Holding
Weihai Weigao International Medical Investment Holding Company Limited* <i>(Note)</i>	Registered owner	1,078,000,000	89.83%
Mr. Chen Xue Li	Beneficial owner	69,540,000	5.79%
Mr. Chen Lin	Beneficial owner	9,760,000	0.81%

Note: 威海威高國際醫療投資控股有限公司 (Weihai Weigao International Medical Investment Holding Company Limited*) is owned as to 51.7% by Mr. Chen Xue Li, 7.4% by Mr. Chen Lin and 7.5% by 威海市創鑫投資合伙企業(有限公司).

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

Name of substantial shareholder	Number of shares interested	% of issued share capital
Chen Xueli	2,099,755,676 (L)	45.94 (L)
威海威高國際醫療投資控股有限公司 (Weihai Weigao International Medical Investment Holding Company Limited*)	2,099,755,676 (L)	45.94 (L)
威高集團有限公司 (Weigao Holding Company Limited*)	2,099,755,676 (L)	45.94 (L)

Note: (L) – Long Position

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2022, sales to the Group's five largest customers accounted for 4% of the total sales for the Period and sales to the largest customer accounted for 1% of the total sales for the Period.

For the six months ended 30 June 2022, purchases from the Group's five largest suppliers accounted for 17.5% of the total purchases for the Period and purchases from the largest supplier accounted for 5.2% of the total purchases for the Period.

At no time during the Period, none of a director, an associate of a director or shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the five largest customers or suppliers.

CORPORATE GOVERNANCE

The Board of the Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability and is committed to the maintenance of good corporate governance practices and procedures.

During the Period, the Company has also applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices and Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), except for the deviation that Code Provision A4.1 which stipulates that non-executive directors should be appointed for a specific term. Independent non-executive directors do not have a specific term of appointment, but subject to retirement by rotation and re-election at the general meeting.

Board of Directors

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of overall business strategies, internal control and risk management systems, and monitoring the performance of the senior management. The management is responsible for the daily operations of the Group under the leadership of the chief executive officer. The Directors have the responsibility to act objectively in the interests of the Company.

Currently, the Board comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors.

To comply with Rule 3.10(1) of the Listing Rules, the Board currently comprises three independent non-executive Directors who are independent under the independence criteria and are capable to effectively exercise independent judgment. Amongst the three independent non-executive Directors, Mr. Li Guohui has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

Disclosure of Information on Director

1. Mr. LIAN Xiaoming (連小明) has tendered resignation as a non-executive director of the Company with effect from 6 June 2022.
2. Mr. LU Junqiang (盧均強) has been appointed as an executive director of the Company with effect from 6 June 2022.
3. Mr. NI Shili (倪世利) has been appointed as an executive director of the Company with effect from 6 June 2022.
4. Mr. LO Wai Hung (盧偉雄) has tendered resignation as an independent non-executive director of the Company, a chairman of audit committee, a chairman of remuneration committee, a chairman of nomination committee and a member of corporate governance committee with effect from 6 June 2022.
5. Mr. LI Guohui (李國輝) has been appointed as an independent non-executive director of the Company with effect from 6 June 2022, and he has also been appointed as a chairman of audit committee, a chairman of remuneration committee, a chairman of nomination committee and a member of corporate governance committee.

6. Mr. HU Yunyong (胡雲涌) has tendered his resignation as a shareholders' representative supervisor of the Company and a chairman of supervisory committee of the Company with effect from 6 June 2022.
7. Mr. YUE Chunliang (岳春良) has tendered his resignation as an employee's representative supervisor of the Company with effect from 22 April 2022.
8. Mr. ZHANG Zhuangqiu (張壯秋) has been appointed as an employee's representative supervisor of the Company with effect from 22 April 2022.
9. Mr. SONG Dapeng (宋大鵬) has been appointed as a shareholders' representative supervisor of the Company with effect from 6 June 2022.

Except for the above, pursuant to Rule 13.51B of the Listing Rules, no changes of information on director and supervision have been recorded during the Period.

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.

The Board has conducted a review of the effectiveness of the system of internal control of the Group.

Audit Committee

The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Company. The Audit Committee comprises Mr. Li Guohui, Mrs. Fu Mingzhong and Mrs. Wang Jinxia, being independent non-executive Directors and Mr. Tang Zhengpeng, a non-executive Director. Mr. Li Guohui is the chairman of the Committee.

The Company's financial statements for the six months ended 30 June 2022 have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and other laws, and adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the reporting Period.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Period was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS

So far as the Directors are aware, for the six months ended 30 June 2022, none of the Directors or management shareholders of the Company (as defined in the Listing Rules) or their respective associates have an interest in a business which competes or may compete with the business of the Group, or have any other conflict of interest with the Group.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 June 2022 have been reviewed by the Audit Committee.

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

22 August 2022

Weihai, Shandong, the PRC

As at the date hereof, the Board comprises of:

Mr. Long Jing (*Executive Director*)

Mr. Cong Rinan (*Executive director*)

Mr. Lu Junqiang (*Executive Director*)

Mr. Ni Shili (*Executive Director*)

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

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

Mr. Li Guohui (*Independent non-executive Director*)

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

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