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山東威高集團醫用高分子製品股份有限公司
Shandong Weigao Group Medical Polymer Company Limited *

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

(Stock Code: 1066)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

SUMMARY

- For the year ended 31 December 2022 (the “Year”), the revenue of Shandong Weigao Group Medical Polymer Company Limited (the “Company” and together with its subsidiaries, the “Group”) was approximately RMB13,619,007,000 (2021: approximately RMB13,208,942,000), representing an increase of 3.1% over the previous year. Net profit attributable to the owners of the Company was approximately RMB2,723,309,000 (2021: approximately RMB2,275,929,000), representing an increase of 19.7% over last year.
- The revenue for the year ended 31 December 2022 increased by 3.6% over last year without taking into account of the restatements due to business combination under common control (2021: approximately RMB13,151,719,000). (Note 1)
- Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB2,742,668,000, representing an increase of 13.9% over the comparative figure for the previous year (net profit attributable to the owners was approximately RMB2,407,853,000 in 2021 without taking the accounting restatements into account). (Note 2)

Note 1: In 2022, the Company acquired the 100% equity interests of Weihai Weigao Medical Materials Company Limited from Weigao Holding Company Ltd, the controlling shareholder. In accordance with the accounting standards, in 2021, revenue and net profit attributable to owners of the Company were approximately RMB13,208,942,000 and RMB2,275,929,000, respectively after the accounting restatements to include the results of Weihai Weigao Medical Material Company Limited.

Note 2: In 2022, extraordinary items include 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 RMB100,398,000. The Company recorded a post-tax gain of approximately RMB57,549,000 regarding the taking back by the government the using rights of 2 state-owned construction sites and the buildings, structures, and other ancillary facilities thereon; and the post-tax expenses of a product liability claim attributable to owners of the Company of approximately RMB177,306,000 (extraordinary items in 2021: the post-tax provision for expenses of one pending litigation attributable to owners of the Company of RMB163,075,000).

The Directors recommended the payment of a final dividend of RMB0.079 (2021: RMB0.065) per share, which is subject to the approval by the shareholders of the Company (“Shareholders”) at the forthcoming general meeting.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>NOTES</i>	Year ended 31/12/2022 <i>RMB'000</i>	Year ended 31/12/2021 <i>RMB'000</i> (restated)
Revenue	2	13,619,007	13,208,942
Cost of sales		<u>(6,505,925)</u>	<u>(5,856,049)</u>
Gross profit		7,113,082	7,352,893
Other income, gains and losses	3	444,765	(61,362)
Impairment losses under expected credit loss model, net of reversal		(33,332)	(25,741)
Selling expense		(2,427,077)	(2,695,065)
Administrative expenses		(1,116,689)	(1,118,816)
Research and development expenses		(546,552)	(503,080)
Finance costs	4	(191,401)	(140,441)
Share of results of associates		77,906	69,988
Share of results of joint ventures		<u>(2,801)</u>	<u>(531)</u>
Profit before tax		3,317,901	2,877,845
Income tax expense	5	<u>(424,267)</u>	<u>(420,066)</u>
Profit for the year		<u><u>2,893,634</u></u>	<u><u>2,457,779</u></u>
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>356,458</u>	<u>(81,482)</u>
Total comprehensive income for the year		<u><u>3,250,092</u></u>	<u><u>2,376,297</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>NOTE</i>	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000 (restated)
Profit for the year attributable to owners of the Company		<u>2,723,309</u>	<u>2,275,929</u>
Profit for the year attributable to non-controlling interests		<u>170,325</u>	<u>181,850</u>
		<u>2,893,634</u>	<u>2,457,779</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		<u>3,053,141</u>	2,206,128
Non-controlling interests		<u>196,951</u>	<u>170,169</u>
		<u>3,250,092</u>	<u>2,376,297</u>
Earnings per share			
Basic <i>(RMB per share)</i>	8	<u>0.60</u>	<u>0.51</u>
Diluted <i>(RMB per share)</i>		<u>0.60</u>	<u>0.50</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	<i>NOTES</i>	31/12/2022 RMB'000	31/12/2021 RMB'000 (restated)
Non-current assets			
Property, plant and equipment		6,342,212	5,782,227
Right-of-use assets		515,221	476,317
Investment properties		140,785	133,788
Goodwill		3,638,741	3,348,497
Deposits paid for acquiring property, plant and equipment		455,570	467,730
Intangible assets		1,722,176	1,798,577
Interests in associates		1,375,302	1,139,691
Interests in joint ventures		358,035	180,757
Financial assets at fair value through profit or loss		120,301	100,943
Deferred tax assets		159,453	157,042
Finance lease receivables		23,037	40,959
Loan receivables		184,165	318,811
Prepayments		70,536	79,353
Other non-current assets		–	293,247
		15,105,534	14,317,939
Current assets			
Inventories	<i>9</i>	2,315,343	1,781,735
Loan receivables		627,626	428,514
Trade and other receivables	<i>10</i>	7,024,893	6,070,207
Debt instruments at fair value through other comprehensive income		495,337	425,316
Finance lease receivables		70,831	85,122
Financial assets at fair value through profit or loss		–	10,000
Pledged/restricted bank deposits		694,084	760,895
Cash and bank balances	<i>11</i>	6,862,278	6,698,029
		18,090,392	16,259,818
Current liabilities			
Financial liabilities at fair value through profit or loss		–	56,694
Trade and other payables	<i>12</i>	4,370,333	4,009,609
Contract liabilities		370,150	317,025
Borrowings		960,808	601,328
Tax payable		179,144	150,670
Deferred income		13,110	8,816
Lease liabilities		29,323	22,988
Provisions		11,655	10,606
		5,934,523	5,177,736

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 31 DECEMBER 2022

	31/12/2022	31/12/2021
NOTES	RMB'000	RMB'000 (restated)
Net Current Assets	<u>12,155,869</u>	<u>11,082,082</u>
Total Assets less Current Liabilities	<u>27,261,403</u>	<u>25,400,021</u>
Capital and Reserves		
Share capital	457,063	457,063
Reserves	<u>21,211,874</u>	<u>18,949,583</u>
Equity attributable to owners of the Company	21,668,937	19,406,646
Non-controlling interests	<u>1,777,666</u>	<u>1,640,359</u>
Total Equity	<u>23,446,603</u>	<u>21,047,005</u>
Non-current Liabilities		
Financial liabilities at fair value through profit or loss	–	199
Borrowings	2,403,212	2,462,688
Bonds payable	993,977	992,549
Deferred income	69,094	91,148
Deferred tax liabilities	199,797	222,620
Lease liabilities	104,077	57,857
Contract liabilities	7,642	3,305
Provision	<u>37,001</u>	<u>522,650</u>
	<u>3,814,800</u>	<u>4,353,016</u>
	<u>27,261,403</u>	<u>25,400,021</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Lease*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2. 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.. 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 2022

	Medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Interventional products <i>RMB'000</i>	Pharma packaging products <i>RMB'000</i>	Blood management products <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue								
External sales	6,859,029	1,830,419	1,726,167	2,105,432	1,097,960	-	-	13,619,007
Inter-segment sales	4	-	-	-	-	-	(4)	-
Total	<u>6,859,033</u>	<u>1,830,419</u>	<u>1,726,167</u>	<u>2,105,432</u>	<u>1,097,960</u>	<u>-</u>	<u>(4)</u>	<u>13,619,007</u>
Segment profit	<u>1,297,951</u>	<u>576,049</u>	<u>147,448</u>	<u>895,983</u>	<u>210,587</u>	<u>64,017</u>	<u>-</u>	<u>3,192,035</u>
Depreciation of investment properties								(3,853)
Unallocated other income, gains and losses								64,273
Rental income of investment properties								12,321
Interest income from bank deposits								116,419
Gain on disposal of investments in subsidiaries								47,832
Gain from changes in fair value of financial instruments at fair value through profit or loss ("FVTPL")								19,557
Gain on currency forward								34,500
Gain on deemed disposal of investments in an associate								100,398
Share of results of associates								77,906
Share of results of joint ventures								(2,801)
Share-based payment expenses								(81,077)
Net loss of litigation								(259,609)
Profit before tax								<u>3,317,901</u>

For the year ended 31 December 2021

	Medical device products <i>RMB'000</i> (restated)	Orthopaedic products <i>RMB'000</i>	Interventional products <i>RMB'000</i>	Pharma packaging products <i>RMB'000</i>	Blood management products <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i> (restated)
Revenue								
External sales	6,520,865	2,126,594	1,544,266	2,040,355	976,862	-	-	13,208,942
Inter-segment sales	109	-	-	-	-	-	(109)	-
Total	<u>6,520,974</u>	<u>2,126,594</u>	<u>1,544,266</u>	<u>2,040,355</u>	<u>976,862</u>	<u>-</u>	<u>(109)</u>	<u>13,208,942</u>
Segment profit	<u>962,825</u>	<u>761,831</u>	<u>151,200</u>	<u>855,265</u>	<u>169,932</u>	<u>74,576</u>	<u>-</u>	<u>2,975,629</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								72,888
Gain from changes in fair value of financial instruments at FVTPL								3,323
Share of results of associates								69,988
Share of results of joint ventures								(531)
Share-based payment expenses								(41,275)
Net loss of litigation								(229,852)
Profit before tax								<u>2,877,845</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 deposits, gain on disposal of investments in subsidiaries, gain from changes in fair value of financial instruments at FVTPL, gain on currency forward, gain on deemed disposal of investments in an associate, share of results of associates, 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

	31/12/2022	31/12/2021
	RMB'000	RMB'000
		(restated)
Medical device products	10,442,063	10,089,310
Orthopaedic products	3,039,450	2,859,211
Interventional products	5,918,361	5,645,171
Pharma packaging products	2,853,330	2,252,660
Blood management products	1,051,854	930,599
Others	1,169,640	892,598
	<hr/>	<hr/>
Total segment assets	24,474,698	22,669,549
Financial assets at FVTPL	120,301	110,943
Interests in associates	1,375,302	1,139,691
Interests in joint ventures	358,035	180,757
Investment properties	140,785	133,788
Deferred tax assets	159,453	157,042
Pledged/restricted bank deposits	694,084	760,895
Cash and bank balances	5,873,268	5,425,092
	<hr/>	<hr/>
Consolidated assets	33,195,926	30,577,757
	<hr/> <hr/>	<hr/> <hr/>

Segment liabilities

	31/12/2022	31/12/2021
	RMB'000	RMB'000
		(restated)
Medical device products	4,825,734	4,587,596
Orthopaedic products	872,959	844,824
Interventional products	2,886,469	2,890,818
Pharma packaging products	419,208	361,895
Blood management products	323,020	297,418
Others	59,055	58,649
	<hr/>	<hr/>
Total segment liabilities	9,386,445	9,041,200
Deferred tax liabilities	199,797	222,620
Financial liabilities at FVTPL	–	56,893
Other payables	163,081	210,039
	<hr/>	<hr/>
Consolidated liabilities	9,749,323	9,530,752
	<hr/> <hr/>	<hr/> <hr/>

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 associates, interests in joint ventures, investment properties, deferred tax assets, pledged/restricted bank deposits and part of cash and bank balances.
- 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 2022

	Medical device products <i>RMB'000</i>	Orthopaedic products <i>RMB'000</i>	Interventional products <i>RMB'000</i>	Pharma packaging products <i>RMB'000</i>	Blood management products <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts included in the measure of segment profit or segment assets:							
Additions to property, plant and equipment	206,135	163,665	51,390	629,251	52,861	39	1,103,341
Allowances for credit losses	12,531	8,161	487	7,199	–	4,954	33,332
Allowances for inventories	(16)	7,453	1,806	–	3,835	–	13,078
Impairment losses on intangible assets	–	–	10,806	–	–	–	10,806
Amortisation of intangible assets	280	5,844	231,198	819	12,360	–	250,501
Depreciation of property, plant and equipment	258,602	87,447	20,112	110,373	34,447	17	510,998
Depreciation of right-of-use assets	22,650	3,697	6,133	–	4,680	–	37,160
(Gain)/loss on disposal of property, plant and equipment	(67,421)	(217)	6,323	127	280	–	(60,908)
Research and development expenditure	308,088	107,767	27,196	62,126	41,375	–	546,552
Share-based payment expenses	–	2,638	8,052	–	–	–	10,690
Government grants	(17,699)	(13,220)	(6,795)	(1,372)	(350)	(3,186)	(42,622)
Rebate of value added tax (“VAT”)	(80,165)	–	–	–	–	(1,911)	(82,076)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2021

	Medical device products <i>RMB'000</i> (restated)	Orthopaedic products <i>RMB'000</i>	Interventional products <i>RMB'000</i>	Pharma packaging products <i>RMB'000</i>	Blood management products <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i> (restated)
Amounts included in the measure of segment profit or segment assets:							
Additions to property, plant and equipment	544,235	133,679	55,075	142,020	18,673	–	893,682
Allowances for credit losses	10,262	10,129	322	1,407	–	3,621	25,741
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	198,976	82,668	17,523	128,251	31,502	109	459,029
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	1,487	108	482	(49)	900	–	2,928
Research and development expenditure	291,071	121,225	16,842	43,283	30,659	–	503,080
Share-based payment expenses	2,886	5,139	26,506	268	418	–	35,217
Government grants	(22,287)	(15,178)	(32)	(65)	–	–	(37,562)
VAT	(76,438)	–	–	–	–	(1,143)	(77,581)

Revenue from major products and services

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

	Year ended 31/12/2022 <i>RMB'000</i>	Year ended 31/12/2021 <i>RMB'000</i> (restated)
Sale of medical device products		
– Clinical care	4,726,552	4,632,034
– Anesthesia and surgical related products	615,596	660,016
– Medical testing	325,680	294,833
– Other consumables	979,131	705,304
Sale of orthopaedic products	1,830,419	2,126,594
Sale of interventional products	1,938,237	1,772,944
Sale of pharma packaging products	2,105,432	2,040,355
Sale of blood management products	1,097,960	976,862
	13,619,007	13,208,942

Information about major customers

There is no single customer contributing over 10% of total sales of the Group for both years.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	Year ended			
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)		(restated)
PRC	10,453,877	10,552,660	9,621,959	8,846,563
United States	1,272,330	1,145,923	5,366,273	5,363,655
Europe, the Middle East and Africa	563,217	501,919	99,582	89,593
Other districts	1,329,583	1,008,440	17,720	18,128
	13,619,007	13,208,942	15,105,534	14,317,939

3. OTHER INCOME, GAINS AND LOSSES

	Year ended 31/12/2022 <i>RMB'000</i>	Year ended 31/12/2021 <i>RMB'000</i> (restated)
Other income:		
Rebate of VAT (<i>note a</i>)	82,076	77,581
Government grants (<i>note b</i>)	42,622	37,562
Operating rental income	12,321	12,070
Finance lease income	5,902	11,565
Interest income from bank deposits	116,419	72,888
Interest income from factoring business	13,808	21,483
Interest income from loan receivables	50,062	50,289
	<u>323,210</u>	<u>283,438</u>
Other gains and losses:		
Impairment losses on intangible assets	(10,806)	–
Impairment losses on inventories	(13,078)	(6,956)
Net exchange gain/(loss)	138,325	(39,357)
Gain/(loss) on disposal of property, plant and equipment	60,908	(2,928)
Gain on disposal of investments in subsidiaries (<i>note c</i>)	47,832	–
Gain on deemed disposal of investments in an associate	100,398	–
Gain from changes in fair value of financial instruments measured at FVTPL	19,557	3,323
Gain on disposal of structured deposit	163	–
Donation paid	(577)	(41,807)
Loss on currency option	(1,289)	(6,289)
Gain/(loss) on Structured Cross Currency Swap	3,383	(22,453)
Gain on currency forward	34,500	–
Net loss of litigation (<i>note c</i>)	(259,609)	(229,852)
Others	1,848	1,519
	<u>121,555</u>	<u>(344,800)</u>
	<u><u>444,765</u></u>	<u><u>(61,362)</u></u>

Notes:

- (a) As Weihai Jierui Medical Products Company Limited (“Jierui”), one of the subsidiary of the Company, was recognised as a “Social Welfare Entity”, the Tax Bureau in Weihai granted a rebate of VAT paid by Jierui with effect from 1 May 1999 on the basis of “payment first then rebate”. Pursuant to Caishui [2016] No.52 issued by the State Council, with effect from 1 May 2016, Jierui was granted a rebate of VAT determined with reference to the number of staff with physical disability. For each staff with physical disability, four times of the minimum salary approved by the local government in Weihai is granted to Jierui as rebate of VAT.

Pursuant to Caishui [2016] No.36, Weigao Financial Leasing Co., Ltd., one of the subsidiary of the Company, is entitled to immediate tax rebates upon collection when the actual VAT tax burden rate exceeds 3%.

- (b) During the year, government grants were awarded to the Group mainly for business development and certain research and development expenses occurred and were recognised as other income when the government grants were received. There were no unfulfilled conditions in the year in which they were recognised.
- (c) A subsidiary of the Group (the “Subsidiary”) is a defendant in litigation involving in a number of product liability claims of the Group. For the year ended 31 December 2021, the Group had a net loss amount of RMB229,852,000 related to such claims based on the best estimation of the injury alleged, the results of related litigation, and the degree of responsibility that may be inferred to the Subsidiary, while taking into account the insurance coverage.

The Subsidiary entered into a conditional master settlement agreement with the lead counsel for the plaintiffs (the “Agreement”) to resolve and settle the vast majority of the outstanding claims against the Subsidiary (the “Settlement”). The Agreement became binding upon the Subsidiary after the receipt of a release executed by 90 percent of the claimants covered by the Settlement. As of 31 December 2022, this condition has been satisfied and the Subsidiary has authorised settlement payments to the plaintiffs who have agreed to participate in the Settlement by executing a release of their claims against the Subsidiary, as the result, the Group recorded cumulative pre-tax provision of RMB667,047,000 in respect of the Subsidiary’s obligation for product liability claims under the Agreement.

For the number of plaintiffs who may, but have not yet agreed to participate in the Settlement, and the number of plaintiffs who declined to participate in the Settlement, the Group recorded pre-tax provision of RMB35,742,000 based on the best estimation of the injury alleged, the results of related litigation, and the degree of responsibility that may be inferred to the Subsidiary.

The Subsidiary had obtained product liability insurance and its insurers have already paid the Subsidiary an aggregate amount of RMB203,491,000. During the year ended 31 December 2022, the net loss related to the product liability claims by considering the provision and insurance coverage is recorded with an amount of RMB259,609,000.

The Group reserves the right to seek recovery of certain of these losses from the entity that previously owned the relevant products, including taking necessary legal actions.

4. FINANCE COSTS

	Year ended 31/12/2022 <i>RMB'000</i>	Year ended 31/12/2021 <i>RMB'000</i> (restated)
Interest on bank loans and other borrowings	150,148	97,306
Interest on bonds payable	35,900	39,467
Interest on lease liabilities	5,353	3,668
	<u>191,401</u>	<u>140,441</u>

5. INCOME TAX EXPENSE

	Year ended 31/12/2022 <i>RMB'000</i>	Year ended 31/12/2021 <i>RMB'000</i> (restated)
Current enterprise income tax	468,289	492,497
(Over)/under provision in prior years	(1,466)	8,082
Deferred tax	(42,556)	(80,513)
	<u>424,267</u>	<u>420,066</u>

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and certain PRC subsidiaries is 15% for the years ended 31 December 2022 and 2021.

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, Weihai Jierui Medical Products Company Limited ("Jierui"), Weigao Orthopaedic Devices Co. Ltd and Shandong Weigao Purui Pharmaceutical Packaging Co., Ltd ("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; the subsidiary of the Company, Weihai Weigao Medical Material Company Limited was recognised as Shandong Province New and High Technical Enterprises from the year 2021 to 2023, and, the subsidiaries of the Company, Changzhou Jianli Bangde Medical Devices Co., Ltd and Weihai Weigao Jiasheng Medical Devices Co., Ltd. were recognised as New and High Technical Enterprises from the year 2019 to 2021 and renewed the certificate in December 2022 for another term of three years from 2022 to 2024.

In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax”, New and High Technical Enterprise was subject to income tax at a tax rate of 15%.

The State Taxation Administration of the PRC announced in September 2022 that enterprises accredited as “New and High Technical Enterprise” would be entitled to claim 100% of the purchase price for equipment and appliances newly purchased during the period from 1 October 2022 to 31 December 2022 as tax deductible expenses and 100% additional deduction for the year ended 31 December 2022.

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 2022 and 2021 were made after taking these tax incentives into account.

6. PROFIT FOR THE YEAR

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
Profit for the year has been arrived at after charging and crediting:		
Allowances for credit losses	33,332	25,741
Allowances for inventories	13,078	6,956
Allowances for intangible assets	10,806	–
Amortisation of intangible assets	250,501	241,333
Auditors’ remuneration	8,915	7,677
Depreciation of property, plant and equipment	510,998	459,029
Depreciation of investment properties	3,853	5,216
Depreciation of right-of-use assets	37,160	31,092
Lease expenses related to short-term lease	7,298	8,231
Lease liabilities interest expense	5,353	3,668
Cost of inventories recognised as an expense	6,505,925	5,856,049
Staff costs, including directors’ and supervisors’ remuneration		
– Retirement benefits scheme contributions	179,662	136,156
– Salaries and other allowances	1,907,358	1,855,455
– Share-based payment expenses	91,767	76,492
	<hr/>	<hr/>
Total staff costs	2,178,787	2,068,103
	<hr/>	<hr/>
(Gain)/loss on disposal of property, plant and equipment	(60,908)	2,928
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDENDS

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends recognised as distribution during the year:		
2022 Interim – RMB0.086 (2021: Interim – RMB0.077) per share	393,074	348,220
2021 Final – RMB0.065 (2020: Final – RMB0.068) per share	297,091	307,519
Total	690,165	655,739
<i>Less: distribution to the shares hold by the trustees under a share award scheme</i>	9,846	2,451
	680,319	653,288

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of RMB0.079 (2021: RMB0.065) per share, amounting to RMB361,080,000 (2021: RMB297,091,000) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

8. 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:

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
Profit for the year attributable to owners of the Company	2,723,309	2,275,929
Earnings for the purpose of basic earnings per share	2,723,309	2,275,929
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of subsidiary based on dilution of their earnings per share	(862)	(923)
Earnings for the purpose of diluted earnings per share	2,722,447	2,275,006

	Year ended 31/12/2022 '000	Year ended 31/12/2021 '000
Number of shares		
Number of shares for the purpose of basic earnings per share	4,505,556	4,500,994
Effect of dilutive potential ordinary shares:		
Incentive shares	<u>21,093</u>	<u>15,329</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,526,649</u>	<u>4,516,323</u>

9. INVENTORIES

	31/12/2022 RMB'000	31/12/2021 RMB'000 (restated)
Raw materials	660,103	369,638
Finished goods	<u>1,655,240</u>	<u>1,412,097</u>
	<u>2,315,343</u>	<u>1,781,735</u>

As at 31 December 2022, total net book value of inventories served as collateral for the Group's borrowing amounted to RMB289,204,000 (2021: RMB212,104,000).

10. TRADE AND OTHER RECEIVABLES

	31/12/2022	31/12/2021
	RMB'000	RMB'000
		(restated)
Trade receivables	5,724,899	5,289,657
<i>Less: Allowance for credit losses</i>	(291,024)	(257,763)
	5,433,875	5,031,894
Receivables from factoring business	232,945	74,936
<i>Less: Allowance for credit losses</i>	(2,418)	(844)
	230,527	74,092
Other receivables	712,152	524,366
<i>Less: Allowance for credit losses</i>	(1,588)	(2,161)
	710,564	522,205
Prepayments	720,463	521,369
	7,095,429	6,149,560
Analysed for reporting purposes as:		
Current assets	7,024,893	6,070,207
Non-current assets	70,536	79,353
	7,095,429	6,149,560

As at 31 December 2022, trade receivables from contracts with customers amounted to RMB5,724,899,000 (2021: RMB5,289,657,000).

Included in trade receivables are an amount due from fellow subsidiaries of RMB2,899,573,000 (2021: RMB2,061,446,000), an amount due from a holding company of RMB2,952,000 (2021: RMB2,470,000), and an amount due from an associate of RMB28,063,000 (2021: RMB46,277,000), an amount due from associates of a holding company of RMB867,000 (2021: RMB918,000).

Included in receivables from factoring business are an amount due from fellow subsidiaries of RMB144,700,000 (2021: RMB6,000,000). The amounts are due in one year with effective interest rates range from 4.75% to 8.57% per annum per annum (2021: 8% per annum).

Included in other receivables are an amount due from fellow subsidiaries of RMB69,624,000 (2021: RMB87,834,000), an amount due from a holding company of RMB386,960,000 (2021: RMB349,028,000), an amount due from an associate of RMB11,810,000 (2021: nil), an amount due from associates of a holding company of RMB194,000 (2021: RMB18,000). The amounts are unsecured and repayable on demand.

Included in prepayments are an amount paid to fellow subsidiaries of RMB139,457,000 (2021: RMB77,030,000), an amount paid to a holding company of nil (2021: RMB908,000), and an amount paid to an associate of RMB6,620,000 (2021: RMB402,000).

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.

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
0 to 90 days	2,591,833	2,527,004
91 to 180 days	1,034,805	1,178,068
181 to 365 days	1,082,247	1,009,814
Over 365 days	724,990	317,008
	5,433,875	5,031,894

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,847,501,000 which are past due (2021: RMB1,366,168,000).

As at 31 December 2022, total net book value of trade and other receivables served as collateral for the Group's borrowing amounted to RMB210,937,000 (2021: RMB180,649,000).

11. CASH AND BANK BALANCES

Cash and cash equivalents

Cash and cash equivalents include demand deposits and short-term deposits for the purpose of meeting the Group's short term cash commitments, with amount of RMB5,418,843,000 as at 31 December 2022 (2021: RMB6,698,029,000); which carry interest at market rates range from nil to 1.89% (2021: nil to 4.125%).

As at 31 December 2022, cash and cash equivalents included deposits of RMB162,595,000 (2021: RMB180,168,000), carrying interest rates at 0.35% (2021: 1.495% to 4.125% per annum), in an associate of a holding company.

As at 31 December 2022, cash and cash equivalents served as collateral for the Group's borrowing amounted to RMB155,910,000 (2021: RMB266,646,000).

Time deposits

The Group's time deposits were issued by banks with original maturity over three months, with amount of RMB1,443,435,000, the interest rates of the time deposits range from 1.30% to 4.90% per annum as at 31 December 2022.

12. 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:

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
0 to 90 days	1,069,565	799,141
91 to 180 days	106,287	264,365
181 to 365 days	106,814	134,470
Over 365 days	159,742	97,253
	<hr/>	<hr/>
Trade payables	1,442,408	1,295,229
Bills payable	278,783	332,164
Other tax payables	192,851	119,922
Construction cost and retention payables	88,513	71,731
Selling expense payables	839,398	909,212
Other payables	1,528,380	1,281,351
	<hr/>	<hr/>
	4,370,333	4,009,609
	<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 RMB383,211,000 (2021: RMB324,044,000), an amount due to an associate of RMB64,736,000 (2021: RMB45,102,000), an amount due to a holding company of RMB1,235,000 (2021: RMB3,000), and an amount due to associates of a holding company of RMB8,260,000 (2021: RMB660,000). The amounts are unsecured, interest-free and repayable within credit period.

Included in other payables are an amount due to fellow subsidiaries of RMB17,940,000 (2021: RMB9,442,000), an amount due to an associate of RMB571,000 (2021: RMB571,000), an amount due to a holding company of RMB217,860,000 (2021: RMB58,367,000), and an amount due to an associate of a holding company of RMB17,634,000 (2021: RMB690,000). The amounts are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimisation of product mix

During the year ended 31 December 2022 (the “Year”), the gross profit margin of the Group decreased from 55.7% of last year to 52.2%, 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 including infusion sets, syringes, puncture needles, specialized single-use clinical collection kits, digital products for clinical care, digestive nutrition, primary care products
- The blood management business includes blood collection, storage, separation, and sterilization of consumables and equipment
- The pharmaceutical packaging business includes prefilled syringes and pre-filled flush syringes
- The medical testing business includes blood collection devices and blood glucose testing
- The anesthesia and surgery business includes general anesthesia consumables, local anesthesia consumables, anesthesia auxiliary consumables, ICU equipment, open and minimally invasive surgical equipment, wound healing dressings, wound suture, wound cleaning, and nonvascular catheter supporting extracorporeal devices
- The 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 RMB4,726,552,000, an increase of 2.0% over last year. With an enhanced product mix, it has compensated for the reduced demand due to the restricted clinical business opening affected by 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 RMB2,105,432,000, representing an increase of 3.2% over last year, 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 RMB1,830,419,000, representing a decrease of 13.9% over last year.
4. During the Year, the interventional business recorded a turnover of approximately RMB1,938,237,000, representing an increase of 9.3% 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 2022, the Group obtained 123 new patents and 171 new patents are under the application in the PRC. Product registration certificates for 60 new products were obtained. The research and development for 63 products were completed for which applications for product registration certificates are underway. For the overseas market, 14 new patents are under application and the research and development for 161 products were completed for which application for product registration certificates are underway.

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

For the year ended 31 December 2022, the Group had over 650 product registration certificates and 800 patents, of which 103 were patents on invention, in the PRC. For the overseas market, the Group had over 760 product registration certificates and 189 patents.

In view of the need for strategic adjustments to the 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 2022, total research and development expenses amounted to approximately RMB546,552,000 (2021: approximately RMB503,080,000), representing 4.0% (2021: 3.8%) 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 factories of syringe and prefilled syringe to satisfy the sales demand for future market growth. Meanwhile, the Group proactively promoted the 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 focused on marketing resources on customer development and maintenance in the core healthcare market. The Group achieved substantial results in key client accounts management. As of the date of this announcement, the Group newly added 486 hospitals, 18 other medical institutions, and 617 distributors to its PRC customer base, and the Group has a PRC customer base of 9,103 in aggregate (including 3,601 hospitals, 414 blood stations, 1,119 other medical units, and 3,969 distributors) and an overseas customer base of 7,354 in aggregate (including 3,595 hospitals, 1,683 other medical units, and 2,076 distributors).

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

Turnover by Geographical Information

Regions	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	Increase or decrease over corresponding period %
The PRC			
– Eastern and Central	5,227,412	5,220,106	0.1%
– Northern	2,215,310	2,330,107	(4.9%)
– Southern	1,036,647	960,984	7.9%
– Northeast	991,513	938,403	5.7%
– Southwest	731,899	857,764	(14.7%)
– Northwest	251,096	245,296	2.4%
PRC sub-total	<u>10,453,877</u>	<u>10,552,660</u>	<u>(0.9%)</u>
Overseas			
– USA	1,272,330	1,145,923	11.0%
– Asia	930,581	701,240	32.7%
– Europe, Middle East and Africa	563,217	501,919	12.2%
– Others	399,002	307,200	29.9%
Overseas sub-total	<u>3,165,130</u>	<u>2,656,282</u>	<u>19.2%</u>
Total	<u><u>13,619,007</u></u>	<u><u>13,208,942</u></u>	<u><u>3.1%</u></u>

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		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	Over corresponding period %	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	Over corresponding period %
Clinical care	4,726,552	4,632,034	2.0%	2,392,562	2,481,391	(3.6%)
Pharma packaging products	2,105,432	2,040,355	3.2%	1,049,258	1,082,632	(3.1%)
Blood management	1,097,960	976,862	12.4%	608,477	527,017	15.5%
Medical testing	325,680	294,833	10.5%	164,454	168,878	(2.6%)
Anesthesia and surgical related products	615,596	660,016	(6.7%)	225,635	345,545	(34.7%)
Orthopaedic products	1,830,419	2,126,594	(13.9%)	739,503	1,042,149	(29.0%)
Interventional products	1,938,237	1,772,944	9.3%	1,045,271	907,556	15.2%
Other consumables	979,131	705,304	38.8%	382,316	378,084	1.1%
Total	<u>13,619,007</u>	<u>13,208,942</u>	<u>3.1%</u>	<u>6,607,476</u>	<u>6,933,252</u>	<u>(4.7%)</u>

HUMAN RESOURCES

As at 31 December 2022, the Group employed a total of 12,122 employees. The breakdown by departments when compared with last year is as follows:

DEPARTMENT

	2022	2021
Production	6,281	5,589
Sales and marketing	2,896	2,846
Research and development	1,272	1,229
Finance and administration	596	551
Quality control	607	519
Management	383	308
Purchasing	87	81
Total	<u>12,122</u>	<u>11,123</u>

There are a total of 1,258 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 RMB2,178,787,000 (2021: approximately RMB2,068,103,000).

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 2022, the Group recorded a turnover for the year of approximately RMB13,619,007,000, representing an increase of 3.1% over the previous financial year. Net profit attributable to the owners of the Company was approximately RMB2,723,309,000 (2021: approximately RMB2,275,929,000), representing an increase of approximately 19.7% as compared with the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB2,742,668,000 (2021: approximately RMB2,407,853,000 without taking the accounting restatement into account), representing an increase of approximately 13.9% over the previous year.

FINANCIAL SUMMARY

	2022	2021	Increase (decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	%
Turnover	13,619,007	13,208,942	3.1%
Gross profit	7,113,082	7,352,893	(3.3%)
Net profit attributable to the owners of the Company	2,723,309	2,275,929	19.7%
Net profit attributable to the owners of the Company (excluding extraordinary items)	2,742,668	2,407,853	13.9%

During the Year, extraordinary items include 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 RMB100,398,000. The Company recorded a post-tax gain of approximately RMB57,549,000 regarding the taking up by the government of the using rights of 2 state-owned construction sites and the buildings, structures, and other ancillary facilities thereon; and the post-tax expenses of litigation attributable to owners of the Company was approximately RMB177,306,000 (extraordinary items in 2021: the post-tax provision for expenses of one pending litigation attributable to owners of the Company of RMB163,075,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position. As of 31 December 2022, the Group's cash and bank balance amounted to approximately RMB6,862,278,000. For the year ended 31 December 2022, the net cash flow from operating activities of the Group amounted to approximately RMB2,214,574,000, representing a sound cash flow position.

For the year ended 31 December 2022, the total interest expenses of the Group amounted to approximately RMB191,401,000 (2021: total interest expenses of approximately RMB140,441,000).

GEARING RATIO

The gearing ratio of the Group as of the end of 2022 reduced to 20.1% (2021: 20.9%).

As of 31 December 2022, the total net cash of the Group amounted to approximately RMB2,504,281,000 (2021: net cash of approximately RMB2,641,464,000). 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 2022, the Group had not encountered any material difficulty due to the fluctuation in exchange rates nor had it affected its funds for operation purposes.

Due to the fluctuation in exchange rates, the Company realised a foreign exchange gain equivalent to approximately RMB138,325,000 for the year ended 31 December 2022 (2021: foreign exchange loss equivalent to approximately RMB39,357,000).

MATERIAL INVESTMENTS/FUTURE MATERIAL INVESTMENT PLANS

1. During the Year, the Group continued to invest approximately RMB1,069,636,000 in the 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 bought the 100% equity interest in Weihai Weigao Medical Materials Company Limited held by Weigao Holding Company Ltd. at a consideration of RMB288,000,000. It is principally engaged in the research and development, manufacturing and sales of infection protection products.
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, bio-pharmaceuticals, medical services and rehabilitation and elderly care, of which a total of RMB308,000,000 has been contributed.
4. In 2023, the Group planned to invest approximately RMB200,000,000 in the new production lines, which is expected to be successively put in operation by 2025.
5. In 2023, the Group planned to further invest approximately RMB198,000,000 in the upgrading and reconfiguration of the single-use consumables and orthopaedic consumables equipment to further enhance the level of production automation.
6. In January 2023, Weigao Orthopaedic, a subsidiary of the Company, entered into an agreement to acquire 100% equity interest in Shandong Weigao Newlife Medical Device Co., Ltd., a fellow subsidiary of the Company, which is principally engaged in the research and development, manufacture and sale of tissue repair product lines, at a consideration of RMB1,030,000,000. The transfer price is payable in instalments, with an estimated payment of RMB721,000,000 in 2023.

Save for the above material investments and investment plans, the Group had no future plans involving significant investments or capital assets acquisition as of 31 December 2022.

CAPITAL COMMITMENT

As of 31 December 2022, 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 RMB1,299,231,000 (2021: approximately RMB1,113,104,000). The above amounts will be financed by the internal resources of the Group.

PLEDGE OF THE GROUP'S ASSETS

As of 31 December 2022, 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, as well as certain buildings and land use rights of the Company, to secure the long-term borrowings from International Finance Corporation, and pledged/restricted bank deposits of RMB694,084,000 (2021: RMB760,895,000) to secure short-term borrowing, bills and letters of credit granted to the Group.

The lease financing company pledged account receivables of approximately RMB17,100,000 (2021: nil) to secure bank facilities.

The Group had pledged bills receivable of RMB107,611,000 (2021: RMB54,188,000) to secure bank facilities.

As of 31 December 2022, the loan principal of Argon Medical Devices Holding, Inc. (“Argon”) amounted to US\$340,598,000, which was secured by a security package of 100% equity interest in Argon and its subsidiaries as well as the property, plant and equipment, intangible assets, deposits, trade receivables, cash and bank balances of Argon. In the meantime, the Company provided a guarantee for Argon.

RESERVES AND DISTRIBUTABLE RESERVES

As of 31 December 2022, the total reserves of the Group amounted to RMB21,211,874,000 (2021: RMB18,949,583,000).

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 Hong Kong's generally accepted accounting principles. As of 31 December 2022, the distributable reserves of the Company were approximately RMB8,315,208,000 (2021: RMB8,220,181,000).

REVIEW AND OUTLOOK

2022 has been a challenging year. Changes in the COVID-19 pandemic situation, macro-environment and international landscape have presented new challenges as well as new requirements for the industry and our Company.

In connection with the pandemic, the structure and volume of the consultation and treatment services of domestic hospitals were subject to substantial fluctuations, while the supply chain was also under considerable pressure. The Company assisted and complemented medical institutions and downstream partners with persistent efforts to ensure the supply of materials and minimize any adverse impact.

From November to December 2022, domestic anti-epidemic control measures were gradually being lifted until full relaxation. The number of patients seeking medical consultation and hospitalized patients registered by the pulmonary departments of hospitals rose substantially, resulting in higher hospital demands for certain care products on the one hand, but affecting the sales of certain products for elective treatments (orthopaedic consumables in particular) on the other, thereby affecting the provision of commodities and revenue collection from sales channels at the end of the year.

The national healthcare reform policies continued to be advanced in full implementation, as initiatives such as medical insurance negotiations, centralised pharmaceutical procurement, volume-based procurements of high-value consumables and DRGs/DIP, among others, continued to produce a profound impact on the medical industry. The volume-based procurement of consumables, in particular, has presented some challenges for the Company in the short term, although in the long run it represents enormous opportunities for development.

In the clinical care segment, the volume-based procurement of different products by various provinces will continue to be advanced. Leveraging its prolific product portfolio and extensive market coverage, the Company boasted strong capabilities to counter risks. The Company conducted comprehensive estimations on industry policies and established its business presence in advance in active response. Through various means such as the upgrading and updating of products, sound cost control and expansion of the mass market, the Company has seized opportunities to expand its market share and enhance its competitiveness in the industry.

As an industry leader in the clinical care sector, the Company is committed to providing assistance to various types of medical institutions with a view to elevating the overall medical management quality and standards of the clinical care sector in China. On top of its existing infusion products, the Company has continued to expand and enrich its product portfolio in specialist care sectors such as anesthetics, pulmonology and urology, among others.

The digitalised clinical care products launched by the Company have successively undergone trial application, installation and online connection at the wards of major hospitals to help care departments to enhance the regulation and standardization of clinical care and alleviating the magnitude of the duties of medical staff as well as staff cost, while substantially reducing or avoiding medical incidents. Such products have been widely commended and welcomed by hospitals and medical personnel. We believe that digitalised clinical care products hold out immense market prospects while being capable of promoting sales of clinical care consumables, generating social benefits that are even greater than their economic benefits.

In the orthopaedic business, new prices were successively implemented after the completion of nationwide and regional centralised procurement of joint, trauma and other products. The nationwide volume-based procurement of spine products has also been completed and the signing of tripartite agreements were completed nationwide in accordance with requirements. We are glad to note that the policy for volume-based procurement has become more reasonable requiring prices cuts by more moderate margins with due regard for manufacturing companies' ability to pursue sustainable development and invest in innovation. This is conducive to the expansion of market shares held by industry leaders and enhancement of the industry's drive for innovation.

In the pharmaceutical packaging business, the Company's market position has been further reinforced. The Company has continued to increase its production capacity to enhance its ability to serve downstream pharmaceutical manufacturers and strengthen customer loyalty. In particular, we track and provide premium services to these enterprises at the early stage of R&D. The Company will further seize opportunities presented by the following: faster approval for R&D of domestic innovative pharmaceutical enterprise; enhanced overseas competitiveness of domestic manufacturers of drug preparations; and upgrades in pharmaceutical packaging. In addition, the Company will focus on the development of international customers and seize opportunities in the overseas market to increase its global market shares.

The government has continued to encourage innovation in medical devices. As the R&D and approval of new products sped up, enterprises engaged in innovative medical devices have showcased vigour as rarely seen before. Changes in the economic cycle have also presented numerous challenges to some startup enterprises. Seizing this opportunity, the Company has increased investment in and accelerated the progress of in-house R&D. Meanwhile, we have been engaged in strategic engagement and cooperation with such innovative startups to accelerate the introduction and market access of new products. The Company has stepped up with the improvement of its product portfolios to address changes of the times.

The Company has continued to improve and enhance corporate governance and promote strategies on sustainable development to facilitate long-term and high-quality development. The Company highlights responsible operation and meets public demands for medical products with high-quality products. The Company emphasises the green development concept and implements concepts, goals and initiatives in relation to energy conservation and emission reduction in production and operation. During the year, the Company tapped the hospital energy management sector with the establishment of 柏清能源, with the aiming of assisting in energy informatisation at medical institutions in order to save energy, reduce consumption and lower carbon emission.

As a leading domestic platform-based medical devices company, the Company enjoys significant competitiveness in 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 strong end-user demand in the market, the implementation of volume-based procurements and efficiency improvement in the industrial chain for medical devices and consumables have put the Company in a highly favourable position to rapidly expand its market share and enhance its position and influence in the industry.

2) Advantage of an Open, inclusive and shared platform

The Company promotes the coordination and cooperation and sharing of resources among various segments to fully motivate the flexibility and vigour of all segments. Through strategic review, the Company actively cultivates and deploys in new business segments to build them into new growth points.

3) Solid manufacturing foundations.

The Company enjoys distinct advantages in 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 the standard of digital management in production and manufacturing and actively deploy in new materials, new technologies and new processes to maintain and enhance the competitiveness of its manufacturing business.

4) Customer resources and channel coverage.

Thanks to diligent efforts over the years, the Company has developed a distinguished marketing system catered to the PRC market, featuring in particular a large, comprehensive network for direct sales to hospitals. Through further integration of sales channels, its advantage in channels has been enhanced. The Company has continued to step up with the improvement of product portfolios through R&D, product cooperation with domestic and foreign parties and M&As to bring into full play and “cash” in on its channel strengths.

The Company formulates development strategies and medium and long-term development plans on a rolling basis. Taking into account changes in industry policies and the competitive landscape, clinical requirements and the accumulation of internal resources, the Company has proposed a three-pronged operational strategy of “platform-based”, “internationalised” and “digitalised” development and a dual assurance strategies underpinned by “talents” and “innovation”. Under the “platform-based” operational strategy, the Company’s vision is to become an overall solution provider for medical institutions with an extensive product portfolio, while pursuing product sophistication in specialist treatment sectors to herald progress in clinical treatment technologies and become a leader in sub-segments. The Company intends to deliver long-term and stable value through the implementation of such strategies.

While all living things spring into life at the end of the cold winter, industry recovery is in also progress. The three-year battle against the pandemic has ended in a major victory, as manufacturing and daily activities are returning to normal, while the volume of consultation and treatment at hospitals is experiencing exponential growth. In the meantime, policies governing our industry have become clearer. Although uncertainties remain in the macro-environment and international landscape, the management remains fully confident in the long-term, sustainable development and growth of the Company in 2023 and beyond.

The management believes that, on the back of its strategic presence in a wide range of business sectors fields and high-quality products, an operational strategy underpinned by persistent market adaptation and a future-oriented approach and initiatives that motivate employee creativity, the Company will continue to maintain and strengthen its leading position in the PRC market. Meanwhile, the Company will actively promote global resource sharing to achieve coordinated development in the domestic and foreign markets in support of stable growth in the Group's operating results.

EVENT AFTER THE REPORTING PERIOD

On 3 January 2023, the subsidiary of the Company, Weigao Orthopaedic entered into the equity transfer agreement with fellow subsidiaries of the Company, pursuant to which Weigao Orthopaedic agreed to acquire, and the fellow subsidiaries of the Company agreed to transfer to Weigao Orthopaedic their respective equity interests for a total of 100% in Shandong Weigao New Life Medical Device Co., Ltd., with a total consideration of RMB1,030,000,000.

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.

CHANGE OF BOARD COMPOSITION AND SENIOR MANAGEMENT

Pursuant to Rule 13.51B of the Listing Rules, the change of information on directors and supervisors during the year ended 31 December 2022 was:–

1. Mr. YUE Chunliang has tendered his resignation as an employee's representative supervisor of the Company with effect from 22 April 2022.
2. Mr. ZHANG Zhuangqiu has been appointed as an employee's representative supervisor of the Company with effect from 22 April 2022.
3. Mr. LIAN Xiaoming has tendered resignation as a non-executive director of the Company with effect from 6 June 2022.
4. Mr. LU Junqiang has been appointed as an executive director of the Company with effect from 6 June 2022.
5. Mr. NI Shili has been appointed as an executive director of the Company with effect from 6 June 2022.
6. Mr. LO Wai Hung 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.
7. Mr. LI Guohui has been proposed to be appointed as an independent non-executive director, a chairman of audit committee, a chairman of remuneration committee, a chairman of nomination committee and a member of corporate governance committee of the Company with effect from 6 June 2022.
8. Mr. HU Yunyong 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.
9. Mr. SONG Dapeng has been appointed as a shareholders' representative supervisor of the Company with effect from 6 June 2022.

10. Mrs. MENG Hong has been appointed as an independent non-executive director, a member of audit committee, a member of remuneration committee, a member of nomination committee and a member of corporate governance committee of the Company with effect from 28 September 2022.
11. Mr. LI Qiang has been appointed as an independent non-executive director, a member of audit committee, a member of remuneration committee, a member of nomination committee and a member of corporate governance committee of the Company with effect from 30 December 2022.

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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 30 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu in the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four members, including three independent non-executive directors, namely Mr. Li Guohui, Mrs. Meng Hong and Mr. Li Qiang and one non-executive director, namely Mr. Tang Zhengpeng. The Chairman of the Audit Committee is Mr. Li Guohui. The Audit Committee has reviewed the Group's audited consolidated financial statements for the Year which have been agreed by the Company's auditor, and is of the view that the Group's audited consolidated financial statements for the Year are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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 30 March 2023. The Company is of the view that the Independent Non-executive Directors remain independent during the Year in accordance with the relevant requirements of Rule 3.13 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure higher transparency and better 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 2022.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Attending and Voting at the Annual General Meeting

In order to determine the shareholders who are entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 23 May 2023 to Monday, 29 May 2023 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for attending and voting at the Annual 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 Monday, 22 May 2023.

In order to qualify for attending and voting at the Annual General Meeting:–

Latest time to lodge in transfer documents accompanied
by the share certificates for H Shares 4:30 p.m.,
Monday, 22 May 2023

Closure of register of members of the Company
for attending and voting at the Annual General Meeting Tuesday, 23 May 2023 to
Monday, 29 May 2023
(both days inclusive)

Date of the Annual General Meeting Monday, 29 May 2023

Entitlement of Proposed Final dividend

In order to determine entitlement to the proposed final dividend payment, the register of members of the Company for H Shares will be closed from Saturday, 3 June 2023 to Thursday, 8 June 2023 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for entitlement of the proposed final dividend, 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 Friday, 2 June 2023.

In order to qualify to entitle the final dividend for the year ended 31 December 2022:—

Latest time to lodge in transfer instrument accompanied

by the share certificates for H Shares 4:30 p.m., Friday,
2 June 2023

Closure of register of members of the Company

for entitlement of the final dividend

for the year ended 31 December 2022 Saturday, 3 June 2023 to
Thursday, 8 June 2023
(both days inclusive)

Record date for determining the entitlement of the final dividend. Thursday, 8 June 2023

Expected despatch date of the final dividend. Friday, 14 July 2023

The final dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Friday, 14 July 2023.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2022 of RMB0.079 (2021: RMB0.065) (before considering any tax effect) per share totaling RMB361,079,995 (2021: RMB297,091,101), which will be subject to the approval of shareholders of the Company at the forthcoming 2022 annual general meeting. The final dividend will be denominated and declared in Renminbi. Final dividend on non-listed domestic shares of the Company, for full circulation H Shareholders and for investors holding the H shares of the Company through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect (the “Hong Kong Stock Connect”) will be paid in Renminbi, and the final dividend for other H Shareholders of the Company will be paid in Hong Kong dollars. The exchange rate for the final dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Renminbi to Hong Kong dollars as announced by the PBOC during the five business days preceding the date of approval of the final dividend at the forthcoming annual general meeting to be dated Monday, 29 May 2023 (“AGM”). The Company will appoint a receiving agent in Hong Kong and Mainland China respectively and will pay to such receiving agent the final dividend (after deductions of relevant tax, if applicable) declared for payment to Shareholders. The final dividend will be paid by the receiving agent on or before Friday, 14 July 2023. The cheques will be despatched to H Shareholders by ordinary post at their own risks. The payment of the final dividend is subject to the Shareholders’ approval at the AGM.

PUBLICATION OF FINANCIAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is available for viewing on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.weigaogroup.com>).

DESPATCH OF 2022 ANNUAL REPORT

The 2022 annual report for the year ended 31 December 2022 will be despatch to shareholders of the Company and is expected to be despatched to shareholders of the Company on or around 28 April 2023.

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

30 March 2023

Weihai, Shandong Province, the PRC

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

Executive Directors

Mr. Long Jing

Mr. Cong Rinan

Mr. Lu Junqiang

Mr. Ni Shili

Non-Executive Directors

Mr. Tang Zhengpeng

Mr. Chen Lin

Independent non-executive Directors

Mr. Li Guohui

Mrs. Meng Hong

Mr. Li Qiang