

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)

* For identification purposes only



Interim Report 2023

WEGO 威高

SUMMARY

For the six months ended 30 June 2023 (the “Period”), the unaudited revenue of Shandong Weigao Group Medical Polymer Company Limited (the “Company”) and its subsidiaries (the “Group”) was approximately RMB6,897,700,000 (same period in 2022: approximately RMB7,078,689,000), representing a decrease of approximately 2.6% as compared with the same period last year, the unaudited net profit attributable to the owners of the Company was approximately RMB1,197,767,000 (same period in 2022: approximately RMB1,522,133,000), representing a decrease of approximately 21.3% as compared with the same period last year.

Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB1,197,767,000 (same period in 2022: approximately RMB1,421,735,000), representing a decrease of approximately 15.8% as compared with the same period last year. (*Note 1*)

Excluding the impact of accounting restatements on business combination under common control in the same period of 2022, the unaudited revenue of the Group for the six months ended 30 June 2023 decreased by 1.1% compared to the same period last year (approximately RMB6,975,420,000), and the net profit attributable to the owners of the Company (excluding extraordinary items), decreased by 11.8% compared to the same period last year (approximately RMB1,358,708,000). (*Note 2*)

Note 1: There were no extraordinary items during the Period, the extraordinary items in the same period of 2022 represented the new shares issued to investors by Shandong Weigao Blood Purification Products Co., Ltd. (“Wego Blood Purification”), and the Company’s equity was diluted from 28.0871% to 26.55%, resulting in a gain of approximately RMB100,398,000.

Note 2: The Company acquired the 100% equity interests of Weihai Weigao Medical Materials Company Limited and Shandong Weigao Newlife Medical Device Co., Ltd. from related parties in September 2022 and January 2023 respectively. In accordance with the accounting standards, revenue and net profit attributable to owners of the Company (excluding extraordinary items) were RMB6,975,420,000 and RMB1,358,708,000, respectively after taking into account of the restatements due to business combination under common control to include the results of the two companies abovementioned in the same period of 2022.

The board of directors (the “Board”) proposed the distribution of an interim dividend for the six months ended 30 June 2023 of RMB0.0734 per share (same period in 2022: RMB0.086 per share). The proposal is subject to the approval of shareholders of the Company (the “Shareholders”) at the forthcoming extraordinary general meeting.

UNAUDITED CONDENSED 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 2023, together with the restated and unaudited comparative figures for the same period in 2022 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		For the six months ended	
		30 June	
	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
			(Restated)
Revenue	3	6,897,700	7,078,689
Cost of sales		(3,354,221)	(3,370,685)
Gross profit		3,543,479	3,708,004
Other income, gains and losses		173,617	335,515
Impairment losses under expected credit loss model		(11,864)	(27,218)
Selling expenses		(1,321,107)	(1,257,774)
Administration expenses		(537,778)	(531,454)
Research and development expenses		(294,558)	(249,126)
Finance costs	4	(138,174)	(71,577)
Share of results of associates		53,598	40,185
Share of results of joint ventures		1,126	(1,023)
Profit before taxation	5	1,468,339	1,945,532
Income tax expense	6	(225,267)	(280,925)
Profit for the Period		1,243,072	1,664,607

Unaudited
For the six months ended
30 June

	<i>Notes</i>	2023 RMB'000	2022 RMB'000 (Restated)
Other comprehensive income			
Exchange difference on translation of foreign operations		154,061	181,827
Total comprehensive income for the Period		1,397,133	1,846,434
Profit for the Period attributable to:			
Owners of the Company		1,197,767	1,522,133
Non-controlling interests		45,305	142,474
		1,243,072	1,664,607
Total comprehensive income attributable to:			
Owners of the Company		1,335,382	1,690,391
Non-controlling interests		61,751	156,043
		1,397,133	1,846,434
		RMB	RMB
Earnings per share (basic)	8	0.27	0.33

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	9	6,572,550	6,344,161
Right-of-use assets		517,624	515,221
Investment properties		137,094	140,785
Goodwill		3,795,357	3,638,741
Deposits paid for acquiring property, plant and equipment		208,052	461,041
Intangible assets		1,678,094	1,722,176
Interests in associates		1,428,900	1,375,302
Interests in joint ventures		363,331	358,035
Financial assets at fair value through profit or loss		132,794	120,301
Deferred tax assets		141,207	161,338
Finance lease receivables		31,494	23,037
Loan receivables		110,523	184,165
Prepayments	11	67,374	70,536
		15,184,394	15,114,839

		As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Restated)
	<i>Notes</i>		
Current assets			
Inventories	10	2,310,064	2,323,755
Loan receivables		537,885	627,626
Trade and other receivables	11	7,936,039	7,085,067
Debt instruments at fair value through other comprehensive income		500,190	521,651
Finance lease receivables		227,203	70,831
Pledged bank deposits	12	683,857	694,084
Bank balances and cash	13	6,556,096	6,964,486
		18,751,334	18,287,500
Current liabilities			
Trade and other payables	14	5,191,989	4,415,900
Contract liabilities		303,012	380,444
Borrowings		881,671	960,808
Taxation payable		180,989	193,918
Deferred income		6,014	13,110
Lease liabilities		29,103	29,323
Provisions		10,652	11,655
		6,603,430	6,005,158
Net current assets		12,147,904	12,282,342
Total assets less current liabilities		27,332,298	27,397,181

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Restated)
Capital and reserves			
Share capital		457,063	457,063
Reserves	15	21,572,300	<u>21,309,802</u>
Equity attributable to owners of the Company		22,029,363	21,766,865
Non-controlling interests		1,550,093	<u>1,815,419</u>
Total equity		23,579,456	<u>23,582,284</u>
Non-current liabilities			
Borrowings		2,328,521	2,403,212
Bonds payable		994,691	993,977
Deferred income		70,681	69,094
Deferred tax liabilities		173,635	199,894
Contract liabilities		37,695	7,642
Lease liabilities		109,218	104,077
Provisions		38,401	<u>37,001</u>
		3,752,842	<u>3,814,897</u>
		27,332,298	<u>27,397,181</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	For the six months	
	ended 30 June	
	2023	2022
	RMB'000	RMB'000
		(Restated)
Net cash inflow from operating activities	1,117,151	1,132,320
Net cash outflow from investing activities	(268,164)	(1,028,014)
Net cash before financing activities	848,987	104,306
Net cash outflow from financing activities	(1,246,076)	(4,754)
Net increase (decrease) in cash and cash equivalents	(397,089)	99,552
Cash and cash equivalents as at the beginning of the Period	5,521,050	5,432,478
Effect of foreign exchange rate changes	43,224	72,224
Cash and cash equivalents as at the end of the Period	5,167,185	5,604,254

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	For the six months	
	ended 30 June	
	2023	2022
	RMB'000	RMB'000
		(Restated)
Balance as at 1 January (restated)	21,766,855	19,463,788
Net profit for the Period	1,197,767	1,522,133
Business combination under common control	(743,454)	–
Dividends recognised as distribution	(356,122)	(292,853)
Share-based payments	27,237	46,986
Repurchase of shares under a share incentive scheme	–	(35,000)
Recognition of sales of repurchased shares under a share award scheme	(535)	–
Exchange gains and losses arising from foreign currency transactions	137,615	168,258
Balance as at 30 June	<u>22,029,363</u>	<u>20,873,312</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. 1, Wei Gao 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 principal accounting policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as appropriate.

Other than the accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendment to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

3. 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 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, 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 2023 (Unaudited)

	Medical device products RMB'000	Orthopaedic products RMB'000	Interventional products RMB'000	Pharma packaging RMB'000	Blood management RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Revenue								
External sales	3,568,392	797,103	947,598	1,061,119	523,488	-	-	6,897,700
Inter-segment sales	18,521	-	-	-	1,784	-	(20,305)	-
Total	3,586,913	797,103	947,598	1,061,119	525,272	-	(20,305)	6,897,700
Segment profit	660,716	102,713	45,628	421,526	65,382	38,583	-	1,334,548
Depreciation of investment properties								(3,691)
Unallocated other income, gains and losses								1,997
Rental income of investment properties								6,551
Bank interest income								70,111
Gain from changes in fair value of financial instruments at fair value through profit or loss								25,084
Share of results of associates								53,598
Share of results of joint ventures								1,126
Share-based payment expenses								(20,985)
Profit before taxation								1,468,339

For the six months ended 30 June 2022 (Unaudited)

	Medical device products RMB'000 (Restated)	Orthopaedic products RMB'000 (Restated)	Interventional products RMB'000	Pharma packaging RMB'000	Blood management RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000 (Restated)
Revenue								
External sales	3,548,294	1,198,810	785,928	1,056,174	489,483	-	-	7,078,689
Inter-segment sales	28,931	-	-	-	3,824	-	(32,755)	-
Total	3,577,225	1,198,810	785,928	1,056,174	493,307	-	(32,755)	7,078,689
Segment profit	623,738	490,640	89,040	451,853	96,643	30,633	-	1,782,547
Depreciation of investment properties								(2,618)
Unallocated other income, gains and losses								(5,057)
Rental income of investment properties								5,766
Bank interest income								46,311
Share of results of an associate								40,185
Share of results of joint ventures								(1,023)
Gain on disposal of investment in subsidiaries								19,463
Gain on deemed disposal of investments in an associate								100,398
Share-based payment expenses								(40,440)
Profit before taxation								1,945,532

4. Finance costs

Finance costs for the six months ended 30 June 2023 were approximately RMB138,174,000 (same period in 2022: approximately RMB71,577,000), which were mainly interest expenses on bank and other borrowings.

5. Profit before taxation

	Unaudited	
	For the six months	
	ended 30 June	
	2023	2022
	RMB'000	RMB'000
		(Restated)
Profit before taxation has been arrived at after charging (crediting) the followings:		
Allowances for credit losses	11,864	27,218
Allowances for inventories	39,270	6,352
Amortization of intangible assets	127,391	122,295
Depreciation of property, plant and equipment	284,385	263,793
Depreciation of investment properties	3,691	2,618
Depreciation of right-of-use assets	18,580	14,952
Cost of inventories recognized as expenses	3,354,221	3,370,685
Staff costs, including directors' and supervisors' remuneration		
Retirement benefits scheme contribution	84,767	75,639
Salaries and other allowances	1,111,144	1,045,950
Share-based payment expenses	28,055	48,250
Total staff costs	1,223,966	1,169,839
Loss on disposal of property, plant and equipment	(661)	(312)

6. 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, Weihai Jierui Medical Products Company Limited (威海潔瑞醫用製品有限公司), Shandong Weigao Orthopaedic Device Company Limited ("Weigao Orthopaedic"), Weigao Medical Material Co., Ltd. (威海威高醫用材料有限公司), 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), 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), and Zhejiang Liangzi Medical Devices Co., Ltd. (浙江量子醫療器械有限公司) was recognized as Zhejiang Province New and High Technology Enterprises (浙江省高新技術企業). 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 2023 was made after taking these tax incentives into account.

Taxation for other PRC subsidiaries is computed at a tax rate of 25% (2022: 25%).

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

7. Dividends

The Board recommends the distribution of an interim dividend of RMB0.0734 per share for the six months ended 30 June 2023 (same period in 2022: RMB0.086 per share).

8. Earnings per share

For the six months ended 30 June 2023, basic earnings per share was calculated based on the net profits attributable to shareholders of approximately RMB1,197,767,000 (same period in 2022: approximately RMB1,522,133,000) and the weighted average total number of shares of 4,507,876,324 shares (same period in 2022: 4,500,994,406 shares).

For the six months ended 30 June 2023, diluted earnings per share was RMB0.26.

9. Property, plant and equipment

	Construction in progress	Freehold land	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures equipment and tools	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
As at 31 December 2021 (Restated)	577,141	7,772	3,780,923	2,844,534	76,230	1,022,459	8,309,059
Additions	734,966	-	10,959	276,367	12,845	68,743	1,103,880
Transfer	(548,155)	-	76,645	403,981	-	67,529	-
Transfer from investment properties	-	-	72,758	-	-	-	72,758
Transfer to investment properties	-	-	(88,306)	-	-	-	(88,306)
Disposals	-	-	(14,196)	(52,474)	(7,429)	(63,599)	(137,698)
Adjustment on exchange rate	5,606	718	5,510	12,722	143	5,875	30,574
As at 31 December 2022 (Restated)	769,558	8,490	3,844,293	3,485,130	81,789	1,101,007	9,290,267
Additions	368,996	-	1,449	52,499	599	73,519	497,062
Transfer	(93,171)	-	3,459	64,106	-	25,606	-
Acquisition of a subsidiary	-	-	11,811	2,174	297	828	15,110
Disposals	(2,134)	-	-	(41,613)	(1,564)	(12,417)	(57,728)
Adjustment on exchange rate	2,226	318	2,863	6,779	65	3,861	16,112
As at 30 June 2023 (Unaudited)	1,045,475	8,808	3,863,875	3,569,075	81,186	1,192,404	9,760,823
DEPRECIATION							
As at 31 December 2021 (Restated)	10,776	-	656,597	1,233,436	46,205	576,854	2,523,868
Provision for the year	-	-	136,785	227,177	6,249	141,419	511,630
Transfer from investment properties	-	-	6,124	-	-	-	6,124
Transfer to investment properties	-	-	(10,822)	-	-	-	(10,822)
Eliminated on disposals	-	-	(7,895)	(26,910)	(4,324)	(53,412)	(92,541)
Adjustment on exchange rate	-	-	1,117	3,693	141	2,896	7,847
As at 31 December 2022 (Restated)	10,776	-	781,906	1,437,396	48,271	667,757	2,946,106
Provision for the period	-	-	65,581	146,357	3,450	68,997	284,385
Eliminated on disposals	-	-	-	(36,408)	(1,423)	(9,356)	(47,187)
Adjustment on exchange rate	-	-	669	2,213	63	2,024	4,969
As at 30 June 2023 (Unaudited)	10,776	-	848,156	1,549,558	50,361	729,422	3,188,273
Carrying Values							
As at 30 June 2023 (Unaudited)	1,034,699	8,808	3,015,719	2,019,517	30,825	462,982	6,572,550
As at 31 December 2022 (Restated)	758,782	8,490	3,062,387	2,047,734	33,518	433,250	6,344,161

10. Inventories

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Restated) RMB'000
Raw materials	670,851	662,210
Finished goods	1,639,213	1,661,545
	<u>2,310,064</u>	<u>2,323,755</u>

11. Trade and other receivables

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Restated) RMB'000
0 to 90 days	2,879,800	2,581,691
91 to 180 days	1,240,723	1,077,702
181 to 365 days	1,387,011	1,107,902
Over 365 days	861,501	724,990
	<u>6,369,035</u>	<u>5,492,285</u>
Trade receivables	6,369,035	5,492,285
Receivables from factoring business	219,003	230,527
Other receivables	632,294	711,558
Prepayments	783,081	721,233
	<u>8,003,413</u>	<u>7,155,603</u>
Analysed for reporting purposes as:		
Current assets	7,936,039	7,085,067
Non-current assets	67,374	70,536
	<u>8,003,413</u>	<u>7,155,603</u>

12. 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 1.95% (same period in 2022: 0.3% to 1.3%) per annum.

13. Bank balances and cash

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, the interest rate of which ranges from nil to 1.9% (same period in 2022: nil to 1.89%) per annum.

Time deposits

The Group's time deposits were issued by banks with original maturity over three months, the interest rate of which ranges from 1.35% to 6.2% (same period in 2022: 1.3% to 4.9%) per annum.

14. Trade and other payables

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Restated) RMB'000
0 to 90 days	1,080,290	1,041,862
91 to 180 days	109,398	112,299
181 to 365 days	104,947	116,250
Over 365 days	146,268	162,917
Trade payables	1,440,903	1,433,328
Bills payable	560,292	278,783
Other tax payables	151,705	206,531
Construction cost and retention payables	77,347	88,513
Selling expense payables	999,183	866,838
Other payables	1,626,859	1,541,907
Dividend payable	335,700	–
	<u>5,191,989</u>	<u>4,415,900</u>

15. Movement in reserves

	Share capital	Share premium reserve	Statutory surplus reserve	Translation reserve	Share-based payments reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022 (Audited)	457,063	2,743,144	261,271	(163,072)	151,500	774,128	15,182,612	19,406,646	1,640,359	21,047,005
Restated due to business combination under common control in 2023	-	-	-	-	-	10,906	46,236	57,142	22,024	79,166
As at 1 January 2022 (Restated)	457,063	2,743,144	261,271	(163,072)	151,500	785,034	15,228,848	19,463,788	1,662,383	21,126,171
Profit for the year (Restated)	-	-	-	-	-	-	2,764,085	2,764,085	186,066	2,950,151
Other comprehensive income for the year	-	-	-	329,832	-	-	-	329,832	26,626	356,458
Total comprehensive income for the year (Restated)	-	-	-	329,832	-	-	2,764,085	3,093,917	212,692	3,306,609
Consideration for business combination under common control in 2022	-	-	-	-	-	(288,000)	-	(288,000)	-	(288,000)
Adoption of share award scheme	-	-	-	-	-	46,958	-	46,958	-	46,958
Recognition of equity-settled share-based payments	-	-	-	-	90,092	-	-	90,092	1,675	91,767
Repurchase of shares under a share award scheme	-	-	-	-	(19,965)	(15,283)	-	(35,248)	-	(35,248)
Recognition of sales of repurchased shares under a share award scheme	-	-	-	-	-	25,572	-	25,572	-	25,572
Dividends recognised as distribution	-	-	-	-	-	-	(680,319)	(680,319)	(61,319)	(741,638)
Other changes in equity in associates	-	-	-	-	-	-	50,095	50,095	-	50,095
As at 31 December 2022 (Restated)	457,063	2,743,144	261,271	166,760	221,627	604,376	17,312,614	21,766,855	1,815,431	23,582,286
Profit for the period	-	-	-	-	-	-	1,197,767	1,197,767	45,305	1,243,072
Other comprehensive income for the period	-	-	-	137,615	-	-	-	137,615	16,446	154,061
Total comprehensive income for the period	-	-	-	137,615	-	-	1,197,767	1,335,382	61,751	1,397,133
Consideration for business combination under common control in 2023	-	-	-	-	-	(743,454)	-	(743,454)	(286,546)	(1,030,000)
Recognition of equity-settled share-based payments	-	-	-	-	27,237	-	-	27,237	818	28,055
Recognition of sales of repurchased shares under a share award scheme	-	-	-	-	-	(535)	-	(535)	-	(535)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	6,952	6,952
Dividends recognised as distribution	-	-	-	-	-	-	(356,122)	(356,122)	(48,313)	(404,435)
As at 30 June 2023 (Unaudited)	457,063	2,743,144	261,271	304,375	248,864	(139,613)	18,154,259	22,029,3623	1,550,093	23,579,456

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 capitalisation, 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 capitalisation, 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 2023, the retained earnings available for distribution to shareholders was approximately RMB9,095,747,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimisation and Upgrade of Business Segments

During the Period, the gross profit margin of the Group decreased from 52.4% for the corresponding period of last year to 51.4%. 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 performance of major products under each business segment is as follows:

1. During the Period, medical device products recorded a turnover of approximately RMB3,454,340,000, representing an increase of 0.4% over the corresponding period. The decline in sales of epidemic prevention material products during the same period last year was compensated by the product mix adjustment and optimisation as well as increase in routine care consumables. The Group seized the opportunity of volume-driven procurements of different products in various provinces to quickly increase its sales volume 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 RMB1,061,119,000, representing a growth of 0.5% 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. The impact from the decline in the COVID-19 vaccine-related demand was compensated by the demand from regular customers. Although the revenue of flushing syringes decreased year-on-year due to a reduction in price, however, sales volume increased significantly. The Group will continue its efforts to increase the market penetration and sales volume of flushing syringes to compensate the impact of price reductions.
3. During the Period, the orthopaedic business recorded a turnover of approximately RMB797,103,000, representing a decrease of 33.5% over the corresponding period of last year. Facing the continued deepening of the policy impact and the new stage of industry reshaping, we grasped the opportunity for change and continued to push forward the transformation of the sales model, with significant improvement in the terminal service capability, continuing increase in customer coverage and substantial growth in terminal surgical implantation.
4. During the Period, the interventional business recorded a turnover of approximately RMB1,061,650,000, representing an increase of 18.9% over the corresponding period of last year. Argon in China still 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 Chinese market through internal resources sharing.

RESEARCH AND DEVELOPMENT

For the six months ended 30 June 2023, the Group had 118 new patents and 165 patents are under application in the PRC. New product registration certificates for 75 products were obtained. The research and development for 68 products were completed for which applications for product registration certificates are underway. For overseas market, 12 new patents are under application and the research and development for 159 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 also provided the Group with continuous new profit growth drivers.

As at 30 June 2023, the Group had 722 product registration certificates and 880 patents, of which 115 were patents on invention, in the PRC. For overseas market, the Group had 771 product registration certificates and 189 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 2023, total research and development expenses amounted to approximately RMB294,558,000 (same period in 2022: approximately RMB249,126,000), representing 4.3% (same period in 2022: 3.5%) of the revenue of the Group.

PRODUCTION

During the Period, the Group continued to increase its investments in 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 2023, the Group newly added 177 hospitals, 50 other medical institutions and 400 distributors to its PRC customer base. As of 29 August 2023, the Group has a PRC customer base of 9,735 in aggregate (including 3,778 hospitals, 419 blood stations, 1,169 other medical units and 4,369 distributors) and an overseas customer base of 7,267 in aggregate (including 3,486 hospitals, 1,642 other medical units and 2,139 distributors).

Sales proportion for various products by geographical regions when compared with the same period last year is set out as follows:

Turnover by Geographical Locations

Regions	Unaudited For the six months ended 30 June				Over corresponding period
	2023		2022		%
	RMB'000	%	RMB'000 (restated)	%	%
The PRC					
– Eastern and Central	2,668,638	38.7	2,769,839	39.1	(3.7)
– Northern	1,168,381	16.9	1,217,516	17.2	(4.0)
– Southern	495,956	7.2	548,216	7.8	(9.5)
– Northeast	450,962	6.5	528,867	7.5	(14.7)
– Southwest	393,288	5.7	427,068	6.0	(7.9)
– Northwest	108,527	1.6	127,380	1.8	(14.8)
PRC sub-total	5,285,752	76.6	5,618,886	79.4	(5.9)
Overseas					
– The US	651,567	9.4	612,627	8.7	6.4
– Asia	413,023	6.0	375,788	5.3	9.9
– Europe, Middle East and Africa	356,307	5.2	299,952	4.2	18.8
– Others	191,051	2.8	171,436	2.4	11.4
Overseas sub-total	1,611,948	23.4	1,459,803	20.6	10.4
Total	6,897,700	100.0	7,078,689	100.0	(2.6)

Comparison of sales revenue of principal products with that the same period last year is as follows:

Product category	Unaudited		Over corresponding period %
	For the six months ended 30 June		
	2023	2022	
	RMB'000	RMB'000	
		(restated)	
Medical device products	3,454,340	3,441,256	0.4
Interventional products	1,061,650	892,966	18.9
Pharma packaging products	1,061,119	1,056,174	0.5
Orthopaedic products	797,103	1,198,810	(33.5)
Blood management	523,488	489,483	6.9
Total	6,897,700	7,078,689	(2.6)

HUMAN RESOURCES

As at 30 June 2023, the Group employed a total of 12,333 employees. The breakdown by departments when compared with last year is as follows:

Department	As at 30 June 2023	As at 31 December 2022
Production	6,033	6,281
Sales and marketing	3,253	2,896
Research and development	1,338	1,272
Finance and administration	608	596
Quality control	647	607
Management	367	383
Purchasing	87	87
	<hr/>	<hr/>
Total	12,333	12,122
	<hr/>	<hr/>

A total of 1,334 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 RMB1,223,966,000 (same period in 2022: approximately RMB1,169,839,000).

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 remuneration of Directors is determined by the Board subject to approval by shareholders at the annual general meeting.

FINANCIAL REVIEW

For the six months ended 30 June 2023, the turnover reached approximately RMB6,897,700,000, representing a decrease of approximately 2.6% over the same period last year. Net profit attributable to owners of the Company was approximately RMB1,197,767,000, representing a decrease of approximately 21.3% as compared to the same period last year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB1,197,767,000 (same period in 2022: approximately RMB1,421,735,000), representing a decrease of approximately 15.8% as compared with the same period last year. *(Note 1)*

Excluding the impact of the accounting restatements due to business combination under common control during the same period in 2022, the unaudited revenue of the Group for the six months ended 30 June 2023 decreased by 1.1% over the same period last year (approximately RMB6,975,420,000), and net profit attributable to the owners of the Company (excluding extraordinary items) decreased by 11.8% over the same period last year (approximately RMB1,358,708,000). *(Note 2)*

Note 1: During the Period, there were no extraordinary items. During the same period in 2022, extraordinary items include Shandong Weigao 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.

Note 2: The Company acquired the 100% equity interests of Weihai Weigao Medical Materials Company Limited and Shandong Weigao Newlife Medical Device Co., Ltd. from related parties in September 2022 and January 2023 respectively. In accordance with the accounting standards, during the same period in 2022, revenue and net profit attributable to owners of the Company (excluding extraordinary items) were RMB6,975,420,000 and RMB1,358,708,000, respectively after taking into account of the restatements due to business combination under common control to include the results of the above two companies.

Liquidity and Financial Resources

The Group has maintained a sound financial position. As at 30 June 2023, the Group's cash and bank balance amounted to approximately RMB6,556,096,000. For the six months ended 30 June 2023, net cash flow from operating activities of the Group amounted to approximately RMB1,117,151,000, representing a sound cash flow position.

Total interest expenses of the Group for the six months ended 30 June 2023 were approximately RMB138,174,000 (same period in 2022: approximately RMB71,577,000).

Gearing Ratio

As at 30 June 2023, the gearing ratio of the Group was 19.7% (31 December 2022: 20.6%). The gearing ratio represents total debt as a percentage of total capital. Total debt is calculated as total borrowings and bonds payable. Total capital is calculated as the equity attributable to owners of the Company.

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 2023, 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 RMB14,971,000 (same period in 2022: foreign exchange gain equivalent to RMB63,668,000) for the six months ended 30 June 2023 was realised by the Company.

Material Investments in Subsidiaries/Future Material Investment Plans

1. During the Period, the Group continued to invest approximately RMB322,017,000 in the purchase of property, 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 RMB200,000,000 has been launched and is expected to be successively put into operation in 2025.
4. During the Period, construction was underway for the planned investment of approximately RMB198,000,000 for upgrading and reconfiguration of the single-use consumables and orthopaedic consumables production equipment to further enhance the level of production automation.
5. In January 2023, Weigao Orthopaedic, a subsidiary of the Company acquired 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 RMB721,000,000 paid during the Period.

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 2023.

Capital Commitment

As at 30 June 2023, the capital commitment that the Group and the Company had contracted for but not provided in the financial statements amounted to approximately RMB1,199,214,000 (same period in 2022: approximately RMB1,483,740,000).

REVIEW AND OUTLOOK

In the first half year, with the unleashing of epidemic control, the hospital diagnoses and treatment volume recovered gradually. However, due to the following reasons, our performance in the first half year was temporarily adversely affected. Firstly, during the implementation of volume-based procurement of orthopedic products, the Company adopted a flexible pricing policy to collaborate with core service providers to further expand the market, hence, both the revenue and net profit of the orthopedic segment faced higher fluctuation during the policy transformation process. Secondly, although the sales volume of general consumables and pharmaceutical packaging products increased significantly, however, due to the impact of price and product structure, the growth in revenue was weaker than sales volume. Thirdly, the rapid withdrawal of epidemic prevention-related products from the market had affected our overall performance growth in the first half year.

In addition, the year-on-year increase in the US dollar interest rate pushed up the finance costs, which also exerted a certain impact on the Group's profit.

The national healthcare reform policies continued to advance in full implementation, as initiatives such as medical insurance negotiations, centralised pharmaceutical procurement, volume-based procurements of high-value consumables and diagnosis related groups' payment (DRGs)/diagnosis-intervention packet's payment (DIP), among others, continued to produce a profound impact on the medical industry. The volume-based procurement policies, in particular, have presented some challenges to the Group in the short term, although in the long run, it presents enormous opportunities for development.

In the clinical care segment, the volume-based procurement of different products by various provinces will continue to move forward. Leveraging its prolific product portfolio and extensive market coverage, the Company boasted strong capabilities to counter risks. Through various means such as product upgrading and iteration, sound cost control and mass market expansion, the Company seized opportunities to expand its market share and enhanced its competitiveness in the industry.

The digitalised clinical care products launched by the Group have enhanced the regulation and standardisation of clinical care and alleviated the magnitude of work of medical staff and reduced staff costs. Such products are widely commended and welcomed by hospitals and medical personnel. We believe that digitalised clinical care products hold immense market prospects and its performance contributions will be achieved one after another.

In the orthopedic segment, facing the continuous deepening of policy impact and the new stage of industry reshaping, the Group grasped the opportunity of reform and continued to facilitate sales model transformation. Our terminal service capabilities improved significantly and customer coverage continued to expand. Integrating with the market and technology development trend as well as clinical feedback, the Group continued to explore and develop new materials, new horizons and new technologies, so as to gradually improve the upstream and downstream orthopedics industrial layout.

In the pharmaceutical packaging business, the market position has been further reinforced. Customer loyalty was strengthened by continuously increasing production capacity to enhance its ability to serve downstream pharmaceutical manufacturers. The Group also grasped the opportunities from downstream enterprise products, business layout and product upgrading to expand sales. In addition, the Group continued to optimise production and supply chain management to reduce costs and adapt to the market environment better.

In the interventional segment, the Group recorded strong revenue growth in the first half year. With the continuous deployment of new products and their rapid introduction to the market, the Group pushed the revenue growth faster.

As a leading medical device enterprise in China, the Group is committed to providing medical institutions with total solutions in various professional segments to help them improve their diagnostic and treatment capabilities and standards. The Group continued to expand and enrich its product portfolios in various specialty areas such as respiration and anesthesia, urology, endocrinology, endoscopy diagnosis and treatment, and rehabilitation.

The Group continued to improve and enhance corporate governance and propel strategies for sustainable development to facilitate long-term and high-quality development. The Group highlights responsible operation and meets public demands for medical products with high-quality products. The Company stresses the green development concept and implements concepts, goals and initiatives in relation to energy conservation and emission reduction in production and operation.

The Group formulates development strategies and medium and long-term development plans on a rolling basis. Taking into account the changes in industry policies and the competitive landscape, clinical requirements and its own internal resources reserves, the Company proposed a three-pronged operational strategy of “platform-based”, “internationalised” and “digitalised” development and dual assurance strategies underpinned by “talents” and “innovation”. The Company intends to deliver long-term and stable value through the implementation of such strategies.

In the first half year, although the Group's operating results fluctuated slightly, the management is glad to see strong sales growth in all major products, rapid growth in the Group's market share and significant improvement in industry influence. Amid various uncertainties in the macro-environment and international landscape, the management still remains fully confident about the future sustainable development and growth of the Company in the long term.

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

PROPOSED INTERIM DIVIDEND

The Board recommended the distribution of an interim dividend of the RMB0.0734 per share (same period in 2022: RMB0.086 per share) for the six months ended 30 June 2023. 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 Friday, 13 October 2023.

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 Tuesday, 10 October 2023 to Friday, 13 October 2023 (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 Monday, 9 October 2023.

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

- Notice of Extraordinary General Meeting on or before
Monday, 18 September 2023
- Latest time to lodge in the transfer instrument accompanied by the share certificates 4:30 p.m., Monday, 9 October 2023
- Closure of register of members of the Company for attendance of the Extraordinary General Meeting Tuesday, 10 October 2023 to Friday, 13 October 2023
- Date of Extraordinary General Meeting Friday, 13 October 2023

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 Saturday, 21 October 2023 to Friday, 27 October 2023 (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 Friday, 20 October 2023.

In order to qualify to entitle the interim dividend for the six months ended 30 June 2023:

Latest time to lodge in the transfer
instrument accompanied
by the share certificates 4:30 p.m., Friday,
20 October 2023

Closure of register of members of
the Company for entitlement of
interim dividend Saturday, 21 October 2023 to
Friday, 27 October 2023

Record date for entitlement of
interim dividend Friday, 27 October 2023

Despatch date of interim dividend Friday, 24 November 2023

The interim dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Friday, 24 November 2023. 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 preceding 13 October 2023, the date on which the interim dividend to be declared.

SHARE AWARD SCHEME OF THE COMPANY

On 17 November 2014, the Company's share award scheme (the "Incentive Share Scheme") was adopted by the extraordinary general meeting.

The purposes of the Incentive Share Scheme are to enable the Company to provide incentive to the Eligible Participants in order to recognise and motivate the contributions they have made or will make to the Group; attract and retain quality talents for the business operation, management and development of the Group; align the interests of the management, the employees and the Group to ensure the realisation of the Group's development strategy and business objectives; and attain a long-term relationship between the Group and its employees. Subject to the relevant requirements under the Listing Rules, persons eligible to receive awards under the Incentive Share Scheme include any employee (whether full-time or part-time, but excluding any Excluded Employee) of any member of the Group, or any person who, in the sole opinion of the Remuneration Committee, will contribute or has contributed to any member of the Group. The maximum number of the issuable Shares under the specific mandate of Incentive Share Scheme as approved by the Shareholders on 17 November 2014 shall not exceed 223,818,616 Shares, representing 5% of the number of Shares in issue on the Adoption Date. The Company issued 94,260,000 Shares in total under the specific mandate. As at the date of this report, 129,558,616 outstanding Shares remain available to issue under the specific mandate, representing approximately 2.83% of the Shares as at the date of this report. The maximum number of Shares that may be granted to a Selected Employee must not exceed 0.5% of the issued share capital of the Company at the date of the grant. The length of the vesting period, vesting and other conditions (such as the length of the lock-up period) that must be satisfied for the exercise of the subscription right will be determined by the Remuneration Committee at its discretion, and may vary among the Selected Employees depending on their position, length of service with the Group and performance. No exercise period for awarded shares was set. The Selected Employee can exercise the share awards in anytime upon vesting. As at the date of this report, 129,558,616 outstanding shares awards remain available for grant under the Incentive Share Scheme. The Company did not grant any share awards during the Reporting Period.

Details of the share awards granted to the Directors and employees of the Company were as follows:

Category of participants	Grant date	Vesting Period	Number of share awards					Exercisable as at 31 December 2022	Subscription price upon grant (RMB)	Weighted average closing price of the shares immediately before the dates the awards were exercised or vested (HKD)
			Exercisable as at 1 January 2022	Vested during the year	Exercised during the year	Cancelled during the year	Lapsed during the year			
1. Directors										
Mr. Long Jing	11/12/2015 (batch 1)	5 years	960,000	-	480,000	-	-	480,000	2.2	5.59
	24/12/2021 (batch 2)	5 years	1,200,000	1,200,000	-	-	-	2,400,000	3.58	9.38
Mr. Cong Rinan	11/12/2015 (batch 1)	5 years	400,000	-	200,000	-	-	200,000	2.2	5.59
	24/12/2021 (batch 2)	5 years	400,000	400,000	-	-	-	800,000	3.58	9.38
Mr. Ni Shili	11/12/2015 (batch 1)	5 years	400,000	-	-	-	-	400,000	2.2	5.59
	24/12/2021 (batch 2)	5 years	480,000	480,000	-	-	-	960,000	3.58	9.38
2. Other Eligible Participants - employees										
	11/12/2015 (batch 1)	5 years	8,162,000	-	8,132,000	-	-	30,000	2.2	5.59
	24/12/2021 (batch 2)	5 years	7,580,000	7,580,000	-	-	-	15,160,000	3.58	9.38

Note:

- With respect to batch 1 of the share awards granted in 2015, a total of 1,110,000 shares were exercisable as at 30 June 2023. Such shares, together with (i) 8,812,000 shares that were repurchased by the trustee upon exercise by the directors and employees during 2022; and (ii) 4,534,000 shares that were lapsed and retained by the trustee prior to 1 January 2022 pursuant to the Incentive Share Scheme, represent the total outstanding incentive shares of 14,456,000 held by the trustee for the benefit of the Incentive Share Scheme (batch 1).
- The number of share awards and the Shares are calculated on a 1:1 basis (i.e. 1 share award = 1 Shares).

Save for the subscription price, participants are not required to pay any amount upon participation of the Incentive Share Scheme. The subscription price represents the net asset value per Share as set out in the audited consolidated financial statements of the Company in the last financial year immediately preceding the grant date of the share awards. Subject to an early termination of the Incentive Share Scheme as determined by the Remuneration Committee, the Incentive Share Scheme will be effective for a term of 10 years commencing from the Adoption Date, until 16 November 2024.

DISCLOSURE OF INTERESTS

Directors' Interests and Long Position in Shares

As at 30 June 2023, 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 H Shares of the Company	Total number of non-listed shares	Approximate percentage of the non-listed shares of the Company	Approximate percentage of the issued share capital of the Company
Mr. Long Jing	Personal	Beneficial owner	480,000	0.0106	6,000,000	12.42	0.1418
Mr. Cong Rinan	Personal	Beneficial owner	200,000	0.0044	2,000,000	4.14	0.0481
Mr. Chen Lin	Personal	Beneficial owner	196,000	0.0043	-	-	0.0043
Mr. Ni Shili	Personal	Beneficial owner	400,000	0.0088	2,400,000	4.97	0.0613

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业 (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 report.

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 2023, sales to the Group's five largest customers accounted for 4.4% of the total sales for the Period and sales to the largest customer accounted for 1.9% of the total sales for the Period.

For the six months ended 30 June 2023, purchases from the Group's five largest suppliers accounted for 15.7% of the total purchases for the Period and purchases from the largest supplier accounted for 4.6% 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.

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. Meng Hong and Mr. Li Qiang, 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 2023 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 2023, 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.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurring after the end of the reporting period and up to the date of this report.

By Order of the Board

**Shandong Weigao Group Medical
Polymer Company Limited**
Long Jing
Chairman

29 August 2023

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. Meng Hong (*Independent non-executive Director*)

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

* *For identification purpose only*