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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 2024

SUMMARY

- For the year ended 31 December 2024 (the “Year”), the revenue of Shandong Weigao Group Medical Polymer Company Limited (the “Company” and together with its subsidiaries, the “Group”) was approximately RMB13,087,071,000 (2023: approximately RMB13,229,453,000), representing a decrease of 1.1% over the previous year. Net profit attributable to the owners of the Company was approximately RMB2,066,668,000 (2023: approximately RMB2,001,906,000), representing an increase of 3.2% over last year.
- Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB2,066,668,000, representing an increase of 4.2% over the comparative figure for the previous year (2023: approximately RMB1,982,432,000). *(Note)*

Note: There was no extraordinary item in 2024 (extraordinary items in 2023: the one-off post-tax gain attributable to the owners of the Company of approximately RMB19,474,000).

The Directors recommended the payment of a final dividend of RMB0.1235 (2023: RMB0.0943) per share, which is subject to the approval by the shareholders of the Company (“Shareholders”) at the forthcoming general meeting.

* For identification only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	<i>NOTES</i>	Year ended 31/12/2024 <i>RMB'000</i>	Year ended 31/12/2023 <i>RMB'000</i>
Revenue	3	13,087,071	13,229,453
Cost of sales		<u>(6,506,440)</u>	<u>(6,586,420)</u>
Gross profit		6,580,631	6,643,033
Other income, gains and losses	4	410,757	352,682
Impairment losses under expected credit loss model, net of reversal		(8,813)	(5,343)
Selling expenses		(2,335,184)	(2,582,237)
Administrative expenses		(1,293,603)	(1,249,983)
Research and development expenses		(625,233)	(592,850)
Finance costs	5	(249,572)	(272,971)
Share of results of associates		113,015	86,079
Share of results of joint ventures		<u>(38,250)</u>	<u>(9,223)</u>
Profit before tax		2,553,748	2,369,187
Income tax expense	6	<u>(391,032)</u>	<u>(307,585)</u>
Profit for the year	7	<u><u>2,162,716</u></u>	<u><u>2,061,602</u></u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>101,996</u>	<u>58,182</u>
Total comprehensive income for the year		<u><u>2,264,712</u></u>	<u><u>2,119,784</u></u>

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

FOR THE YEAR ENDED 31 DECEMBER 2024

	<i>NOTES</i>	Year ended 31/12/2024 <i>RMB'000</i>	Year ended 31/12/2023 <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		2,066,668	2,001,906
Non-controlling interests		96,048	59,696
		2,162,716	2,061,602
Total comprehensive income for the year attributable to:			
Owners of the Company		2,163,594	2,051,260
Non-controlling interests		101,118	68,524
		2,264,712	2,119,784
Earnings per share	9		
Basic (<i>RMB per share</i>)		0.46	0.44
Diluted (<i>RMB per share</i>)		0.45	0.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	<i>NOTES</i>	31/12/2024	31/12/2023
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		6,533,346	6,512,423
Right-of-use assets		550,771	494,308
Investment properties		122,023	135,611
Goodwill		3,830,629	3,727,790
Deposits paid for acquiring property, plant and equipment		258,356	328,302
Other intangible assets		1,304,780	1,507,337
Interests in associates		1,604,557	1,461,381
Interests in joint ventures		311,068	349,318
Financial assets at fair value through profit or loss (“FVTPL”)		72,987	86,910
Deferred tax assets		248,543	207,102
Finance lease receivables		12,970	15,302
Loan receivables		413,391	147,191
Prepayments		53,888	62,965
		<u>15,317,309</u>	<u>15,035,940</u>
Current assets			
Inventories	<i>10</i>	2,528,425	2,495,352
Loan receivables		314,427	642,476
Trade and other receivables	<i>11</i>	7,832,235	7,365,212
Financial assets at fair value through profit or loss		230,701	371
Debt instruments at fair value through other comprehensive income		310,797	344,211
Finance lease receivables		50,556	42,963
Pledged/restricted bank deposits		395,089	754,975
Cash and bank balances	<i>12</i>	7,780,310	6,988,731
		<u>19,442,540</u>	<u>18,634,291</u>

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

AT 31 DECEMBER 2024

	<i>NOTES</i>	31/12/2024 <i>RMB'000</i>	31/12/2023 <i>RMB'000</i>
Current liabilities			
Trade and other payables	<i>13</i>	4,294,068	4,319,784
Contract liabilities		349,943	424,492
Borrowings		1,202,862	2,546,750
Financial liabilities at fair value through profit or loss		–	7,653
Tax payable		178,792	239,964
Deferred income		9,053	7,369
Lease liabilities		38,937	26,587
Provisions		6,849	9,442
		6,080,504	7,582,041
Net current assets		13,362,036	11,052,250
Total assets less current liabilities		28,679,345	26,088,190
Capital and Reserves			
Share capital		457,063	457,063
Reserves		23,294,580	21,992,058
Equity attributable to owners of the Company		23,751,643	22,449,121
Non-controlling interests		1,589,923	1,543,584
Total equity		25,341,566	23,992,705
Non-current liabilities			
Borrowings		1,803,471	499,894
Bonds payable		996,833	995,405
Trade and other payables		179,783	226,363
Deferred income		55,956	59,977
Deferred tax liabilities		89,628	165,794
Lease liabilities		151,043	100,681
Contract liabilities		8,382	9,730
Provisions		52,683	37,641
		3,337,779	2,095,485
		28,679,345	26,088,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

1. GENERAL INFORMATION

Shandong Weigao Group Medical Polymer Company Limited (the “Company”) was established and registered as a joint stock company with limited liability in the People’s Republic of China (the “PRC”) under the Company Law of the PRC on 28 December 2000 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is Weigao Holding Company Limited (“Weigao Holding”), and its ultimate holding company is Weihai Weigao International Medical Investment Holding Company Limited (“Weihai Weigao International”). Both Weigao Holding and Weihai Weigao International are registered in the PRC with limited liability. Its ultimate controlling party is Chen Xue Li. The address of the registered office and principal place of business of the Company is No. 1, Weigao Road, Weihai Torch Hi-Tech Science Park, Weihai, Shandong Province, PRC.

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. 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.

3. REVENUE AND SEGMENT INFORMATION

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. 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, medical testing, anesthesia and surgical related products and other consumables |
| Orthopaedic products | – production and sale of orthopaedic products, including tissue repair product line |
| 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 2024

	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	6,512,192	1,439,446	1,980,048	2,278,608	876,777	-	-	13,087,071
Inter-segment sales	88,046	-	-	-	-	-	(88,046)	-
Total	<u>6,600,238</u>	<u>1,439,446</u>	<u>1,980,048</u>	<u>2,278,608</u>	<u>876,777</u>	<u>-</u>	<u>(88,046)</u>	<u>13,087,071</u>
Segment profit	<u>1,067,271</u>	<u>219,192</u>	<u>1,725</u>	<u>893,287</u>	<u>64,727</u>	<u>58,579</u>	<u>-</u>	<u>2,304,781</u>
Depreciation of investment properties								(5,849)
Unallocated other income, gains and losses								(7,124)
Rental income of investment properties								12,015
Interest income from bank deposits								170,645
Gain from changes in fair value of financial instruments at FVTPL								22,670
Gain on disposal of financial instruments at FVTPL								262
Share of results of associates								113,015
Share of results of joint ventures								(38,250)
Share-based payment expenses								(22,891)
Net gain of litigation								4,474
Profit before tax								<u>2,553,748</u>

For the year ended 31 December 2023

	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	6,961,407	1,271,203	1,931,040	2,023,809	1,041,994	-	-	13,229,453
Inter-segment sales	45,797	-	-	-	-	-	(45,797)	-
Total	<u>7,007,204</u>	<u>1,271,203</u>	<u>1,931,040</u>	<u>2,023,809</u>	<u>1,041,994</u>	<u>-</u>	<u>(45,797)</u>	<u>13,229,453</u>
Segment profit	<u>1,053,863</u>	<u>74,159</u>	<u>23,454</u>	<u>811,783</u>	<u>120,203</u>	<u>82,732</u>	<u>-</u>	<u>2,166,194</u>
Depreciation of investment properties								(5,399)
Unallocated other income, gains and losses								(3,031)
Rental income of investment properties								11,412
Interest income from bank deposits								158,509
Loss from changes in fair value of financial instruments at FVTPL								(28,037)
Gain on disposal of financial instruments at FVTPL								5,968
Share of results of associates								86,079
Share of results of joint ventures								(9,223)
Share-based payment expenses								(42,426)
Gain on disposal of investments in subsidiaries								593
Net gain of litigation								<u>28,548</u>
Profit before tax								<u>2,369,187</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, unallocated other income, gains and losses of the corporate function, interest income from bank deposits, gain on disposal of subsidiaries, gain from changes in fair value of financial instruments at FVTPL, gain on disposal of financial instruments at FVTPL, share of results of associates/joint ventures, share-based payment expenses recognised for grantees of the management of the Group and net gain 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

	31/12/2024	31/12/2023
	<i>RMB'000</i>	<i>RMB'000</i>
Medical device products	11,066,890	11,095,372
Orthopaedic products	2,763,341	2,994,546
Interventional products	5,635,135	5,600,529
Pharma packaging products	3,256,485	2,970,487
Blood management products	1,181,063	825,519
Others	962,263	1,103,765
	<hr/>	<hr/>
Total segment assets	24,865,177	24,590,218
Financial assets at FVTPL	303,688	87,281
Interests in associates	1,604,557	1,461,381
Interests in joint ventures	311,068	349,318
Investment properties	122,023	135,611
Deferred tax assets	248,543	207,102
Pledged/restricted bank deposits	395,089	754,975
Cash and bank balances	6,909,704	6,084,345
	<hr/>	<hr/>
Consolidated assets	34,759,849	33,670,231
	<hr/> <hr/>	<hr/> <hr/>

Segment liabilities

	31/12/2024	31/12/2023
	<i>RMB'000</i>	<i>RMB'000</i>
Medical device products	4,805,546	4,953,772
Orthopaedic products	960,170	1,217,784
Interventional products	2,529,082	2,598,068
Pharma packaging products	359,549	289,710
Blood management products	569,974	287,674
Others	35,169	53,323
	<hr/>	<hr/>
Total segment liabilities	9,259,490	9,400,331
Deferred tax liabilities	89,628	165,794
Financial liabilities at FVTPL	–	7,653
Unallocated other payables	69,165	103,748
	<hr/>	<hr/>
Consolidated liabilities	<u>9,418,283</u>	<u>9,677,526</u>

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 unallocated other payables.

Other segment information

For the year ended 31 December 2024

	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	319,882	14,346	37,095	308,911	43,412	-	723,646
Allowances(reversal) for credit losses	17,064	(7,354)	429	(1,419)	-	93	8,813
Impairment losses on inventories	(485)	39,448	6,003	-	-	-	44,966
Impairment losses on property, plant and equipment	-	173	-	-	-	-	173
Amortisation of other intangible assets	1,443	6,010	267,084	-	13,021	-	287,558
Depreciation of property, plant and equipment	298,453	102,163	29,333	169,573	28,741	7	628,270
Depreciation of right-of-use assets	35,977	4,468	4,089	-	5,585	-	50,119
(Gain)/loss on disposal of property, plant and equipment	(524)	(6,337)	2,885	(33)	1,097	-	(2,912)
Research and development expenditure	323,887	119,905	62,686	67,313	51,442	-	625,233
Share-based payment expenses	-	-	13,129	-	-	-	13,129
Government grants	(38,737)	(11,398)	(2,401)	(6,986)	(29)	(12)	(59,563)
Rebate of value added tax ("VAT")	(72,942)	-	-	-	-	(2,610)	(75,552)

For the year ended 31 December 2023

	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	278,952	147,048	30,271	220,077	69,175	–	745,523
Allowances for credit losses	23,037	(16,043)	1,381	(1,656)	(1,721)	345	5,343
Impairment losses on inventories	1,571	27,944	2,708	–	–	–	32,223
Impairment losses on property, plant and equipment	–	1,679	–	–	–	–	1,679
Impairment losses on other intangible assets	–	–	8,020	–	–	–	8,020
Amortisation of other intangible assets	612	5,232	257,425	25	12,944	–	276,238
Depreciation of property, plant and equipment	274,520	102,934	26,524	132,839	50,920	8	587,745
Depreciation of right-of-use assets	26,082	4,358	6,869	–	5,013	–	42,322
Loss/(gain) on disposal of property, plant and equipment	444	17	1,423	(20)	283	–	2,147
Research and development expenditure	304,007	130,310	50,339	65,213	42,981	–	592,850
Share-based payment expenses	–	1,105	11,928	–	–	–	13,033
Government grants	(50,162)	(8,477)	(6,992)	(7,286)	(154)	(6,071)	(79,142)
Rebate of value added tax (“VAT”)	(75,683)	–	–	(46)	–	(3,012)	(78,741)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Revenue from major products

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

- The medical device products business includes clinical care, medical testing equipment, anesthesia and surgical-related products.
- The pharmaceutical packaging business includes prefilled syringes and pre-filled flush syringes.
- 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.
- The blood management business includes blood collection, storage, separation, and sterilization of consumables and equipment.

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

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 <i>RMB'000</i>
Sale of medical device products	6,296,502	6,727,859
Sale of orthopaedic products	1,439,446	1,271,203
Sale of interventional products	2,195,738	2,164,588
Sale of pharma packaging products	2,278,608	2,023,809
Sale of blood management products	876,777	1,041,994
	13,087,071	13,229,453

Information about major customers

There is no single customer contributing over 10% of total revenue 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 and excludes financial instruments and deferred tax assets.

	Revenue from external customers		Non-current assets	
	Year ended 31/12/2024 RMB'000	31/12/2023 <i>RMB'000</i>	31/12/2024 RMB'000	31/12/2023 <i>RMB'000</i>
PRC	9,799,577	10,204,472	9,442,799	9,395,723
United States	1,402,618	1,301,817	4,978,095	5,077,849
Europe, the Middle East and Africa	850,886	709,686	129,266	103,791
Other districts	1,033,990	1,013,478	19,258	17,374
	13,087,071	13,229,453	14,569,418	14,594,737

Non-current assets excluded financial instruments and deferred tax assets.

Transaction price allocated to the remaining performance obligation for contracts with customers

As a practical expedient of HKFRS 15, the Group need not disclose the transaction price allocated to these unsatisfied contracts with customers that has an original expected duration of one year or less.

4. OTHER INCOME, GAINS AND LOSSES

	Year ended 31/12/2024 <i>RMB'000</i>	Year ended 31/12/2023 <i>RMB'000</i>
Other income:		
Rebate of VAT (<i>Note a</i>)	75,552	78,741
Government grants (<i>Note b</i>)	59,563	79,142
Operating rental income	12,015	11,412
Finance lease income	2,179	2,896
Interest income from bank deposits	170,645	158,509
Interest income from factoring business	15,242	14,713
Interest income from loan receivables	44,536	62,456
	<u>379,732</u>	<u>407,869</u>
Other gains and losses:		
Impairment losses on other intangible assets	–	(8,020)
Impairment losses on inventories	(44,966)	(32,223)
Impairment losses on property plant and equipment	(173)	(1,679)
Net exchange gain/(loss)	56,436	(16,602)
Gain/(loss) on disposal of property, plant and equipment	2,912	(2,147)
Gain on disposal of subsidiaries	–	593
Gain/(loss) from changes in fair value of financial instruments at FVTPL	22,670	(28,037)
Gain on disposal of financial instruments at FVTPL	262	5,968
Donation paid	(3,900)	(939)
Net gain of litigation (<i>Note c</i>)	4,474	28,548
Others	(6,690)	(649)
	<u>31,025</u>	<u>(55,187)</u>
	<u><u>410,757</u></u>	<u><u>352,682</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 involving in a number of product liability claims. 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”). As a 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 during the year ended 31 December 2022.

As of 31 December 2024, 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 cumulative pre-tax provision of RMB31,180,000 (2023: RMB34,962,000) 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.

During the year ended 31 December 2024, the Subsidiary had obtained product liability insurance and its insurers have paid the Subsidiary an aggregate amount of nil (2023: RMB26,073,000). During the year ended 31 December 2024, the net gain related to the product liability claims by considering the provision and insurance coverage is recorded with an amount of RMB4,474,000 (2023: net gain RMB28,548,000).

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.

5. FINANCE COSTS

	Year ended 31/12/2024 <i>RMB'000</i>	Year ended 31/12/2023 <i>RMB'000</i>
Interest on borrowings	206,141	232,257
Interest on bonds payable	35,900	35,900
Interest on lease liabilities	7,531	4,814
	<u>249,572</u>	<u>272,971</u>

6. INCOME TAX EXPENSE

	Year ended 31/12/2024 <i>RMB'000</i>	Year ended 31/12/2023 <i>RMB'000</i>
Current enterprise income tax	497,733	403,063
Under/(Over) provision in prior years	13,835	(12,981)
Deferred tax	(120,536)	(82,497)
	<u>391,032</u>	<u>307,585</u>

Under the Law of the PRC 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 2024 and 2023.

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

The Company, Jierui, Weigao Orthopaedic 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 2025; Weigao Medical Materials and Weigao New Life were recognised as Shandong Province New and High Technical Enterprises from the year 2024 to 2026, Zhejiang Quantum (as defined in Note 39) was recognised as Zhejiang Province New and High Technical Enterprises from the year 2024 to 2026, and the subsidiaries of the Company, Changzhou Jianli Bangde Medical Devices Co., Ltd and Weihai Weigao Jiesheng Medical Devices Co., Ltd. were recognised as New and High Technical Enterprises from the year 2019 to 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 2024 and 2023 were made after taking these tax incentives into account.

The Group is operating in certain jurisdictions where the Global Anti-base Erosion Rules (“Pillar Two Rules”) are effective or enacted but not effective. However, base on management’s best estimate, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules.

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

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Profit before tax	<u>2,553,748</u>	<u>2,369,187</u>
Taxation at income tax rate of 15% (2023: 15%)	383,062	355,378
Tax effect of share of results of associates	(16,952)	(12,912)
Tax effect of share of results of joint ventures	5,737	1,383
Effect of additional tax deduction for research and development expenses	(71,547)	(68,486)
Additional tax benefit to a Social Welfare Entity	(5,333)	(5,495)
Utilisation of tax losses previously not recognised	(1,412)	(264)
Utilisation of deductible temporary difference previously not recognised	(2,732)	(695)
Tax effect on tax losses and deductible temporary difference not recognised	24,141	12,454
Tax effect on expenses not deductible for tax purpose	8,828	5,030
State and local income taxes for U.S. subsidiaries	1,881	(1,421)
Withholding tax	3,359	3,291
Effect on different tax rates of subsidiaries	48,165	32,303
Under/(over) provision in prior years	<u>13,835</u>	<u>(12,981)</u>
Income tax expense for the year	<u>391,032</u>	<u>307,585</u>

7. PROFIT FOR THE YEAR

	Year ended 31/12/2024 <i>RMB'000</i>	Year ended 31/12/2023 <i>RMB'000</i>
Profit for the year has been arrived at after charging and crediting:		
Staff costs, including directors' and supervisors' remuneration		
– Retirement benefits scheme contributions	196,447	196,708
– Salaries and other allowances	2,198,871	1,957,086
– Share-based payment expenses	<u>36,020</u>	<u>55,459</u>
Total staff costs	2,431,338	2,209,253
Auditors' remuneration for the Group	8,440	8,533
Impairment losses on inventories	44,966	32,223
Impairment losses on other intangible assets	–	8,020
Amortisation of other intangible assets	287,558	276,238
Impairment losses on property, plant and equipment	173	1,679
(Gain)/loss on disposal of property, plant and equipment	(2,912)	2,147
Depreciation of property, plant and equipment	628,270	587,745
Depreciation of investment properties	5,849	5,399
Depreciation of right-of-use assets	50,119	42,322
Lease expenses related to short-term lease	11,077	10,651
Cost of inventories recognised as an expense	<u>6,506,440</u>	<u>6,586,420</u>

8. DIVIDENDS

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Dividends recognised as distribution during the year:		
2024 Interim – RMB0.0919 (2023 Interim - RMB0.0734)per share	420,041	335,485
2023 Final – RMB0.0943(2022 Final - RMB0.079) per share	<u>431,011</u>	<u>361,080</u>
Total	<u>851,052</u>	<u>696,565</u>
<i>Less: distribution to the shares hold by the trustees under a share award scheme</i>	<u>(11,685)</u>	<u>(9,565)</u>
	<u>839,367</u>	<u>687,000</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2024 of RMB0.1235 (2023: RMB0.0943) per share, amounting to RMB564,473,000 (2023: RMB431,011,000) in total, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

9. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Profit for the year attributable to owners of the Company	2,066,668	2,001,906
Earnings for the purpose of basic earnings per share	2,066,668	2,001,906
Effect of dilutive potential ordinary shares: Adjustment to the share of profit of subsidiary based on dilution of their earnings per share	<u>–</u>	<u>–</u>
Earnings for the purpose of diluted earnings per share	<u>2,066,668</u>	<u>2,001,906</u>

	Year ended 31/12/2024 '000	Year ended 31/12/2023 '000
Number of shares		
Number of shares for the purpose of basic earnings per share	4,538,682	4,529,075
Effect of dilutive potential ordinary shares:		
Incentive shares	<u>10,025</u>	<u>11,025</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,548,707</u>	<u>4,540,100</u>

10. INVENTORIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Raw materials	663,619	705,362
Finished goods	<u>1,864,806</u>	<u>1,789,990</u>
	<u>2,528,425</u>	<u>2,495,352</u>

As at 31 December 2024, total net book value of inventories served as collateral for the Group's borrowing amounted to RMB390,613,000 (2023: RMB351,879,000).

11. TRADE AND OTHER RECEIVABLES

	31/12/2024	31/12/2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	6,366,909	5,970,229
<i>Less: Allowance for credit losses</i>	<u>(288,530)</u>	<u>(281,742)</u>
	<u>6,078,379</u>	<u>5,688,487</u>
Receivables from factoring business	211,909	231,400
<i>Less: Allowance for credit losses</i>	<u>(2,205)</u>	<u>(2,722)</u>
	<u>209,704</u>	<u>228,678</u>
Other receivables	856,258	772,379
<i>Less: Allowance for credit losses</i>	<u>(3,282)</u>	<u>(2,336)</u>
	<u>852,976</u>	<u>770,043</u>
Prepayments	<u>745,064</u>	<u>740,969</u>
	<u>7,886,123</u>	<u>7,428,177</u>
Analysed for reporting purposes as:		
Current assets	7,832,235	7,365,212
Non-current assets	<u>53,888</u>	<u>62,965</u>
	<u>7,886,123</u>	<u>7,428,177</u>

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB5,789,493,000.

Included in trade receivables are an amount due from fellow subsidiaries of RMB3,253,329,000 (2023: RMB3,157,466,000), an amount due from a holding company of RMB268,000 (2023: RMB3,076,000), and an amount due from an associate of RMB4,338,000 (2023: RMB22,669,000), an amount due from associates of a holding company of RMB185,000 (2023: RMB236,000).

Included in receivables from factoring business are an amount due from fellow subsidiaries of RMB160,000,000 (2023: RMB126,000,000). The amounts are due in one year with effective interest rates range from 6.00% to 8.00% per annum (2023: from 6.00% to 7.00% per annum).

Included in other receivables are an amount due from fellow subsidiaries of RMB458,559,000 (2023: RMB449,055,000), an amount due from a holding company of RMB5,077,000 (2023: RMB20,967,000), an amount due from an associate of RMB5,413,000 (2023: RMB6,816,000), an amount due from associates of a holding company of RMB27,599,000 (2023: RMB299,000). The amounts are unsecured and repayable on demand.

Included in prepayments are an amount paid to fellow subsidiaries of RMB62,480,000 (2023: RMB55,022,000), an amount paid to a holding company of RMB1,368,000 (2023: nil), an amount paid to an associate of RMB10,601,000 (2023: RMB2,877,000), and an amount paid to an associate of a ultimate holding company of RMB13,558,000 (2023: nil).

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.

	31/12/2024	31/12/2023
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	3,201,138	2,756,267
91 to 180 days	1,185,534	1,105,295
181 to 365 days	928,260	1,037,082
Over 365 days	763,447	789,843
	<u>6,078,379</u>	<u>5,688,487</u>

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,740,903,000 which are past due (2023: RMB1,864,982,000).

As at 31 December 2024, total net book value of trade and other receivables served as collateral for the Group's borrowing amounted to RMB241,017,000 (2023: RMB227,834,000).

As at 31 December 2024, trade receivables amounting to RMB503,288,000 (2023: RMB321,997,000) were factored to independent third parties on a non-recourse basis. The Group has derecognised these trade receivables in their entirety as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these trade receivables to the counterparties under the non-recourse factoring agreements. Losses related to derecognition of the trade receivables were RMB3,669,000 (2023: RMB2,081,000) which were charged to profit or loss.

12. 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 RMB4,942,882,000 as at 31 December 2024 (2023: RMB4,797,461,000), which carry interest at market rates range from nil % to 1.38% per annum (2023: nil to 1.90% per annum).

As at 31 December 2024, cash and cash equivalents included deposits of RMB102,455,000 (2023: RMB80,721,000), carrying interest rates at 0.22% per annum (2023: 0.25% per annum), in an associate of a holding company.

As at 31 December 2024, cash and cash equivalents served as collateral for the Group's borrowing amounting to RMB99,536,000 (2023: RMB101,094,000).

Term deposits

The Group's Term deposits were issued by banks with original maturity over three months, with amount of RMB2,837,428,000 as at 31 December 2024 (2023: RMB2,191,270,000), which carry interest rates range from 0.5% to 5.7% per annum (2023: 1.30% to 5.40% per annum).

13. 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:

	31/12/2024	31/12/2023
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	833,749	874,314
91 to 180 days	122,226	92,060
181 to 365 days	81,612	72,292
Over 365 days	129,899	118,744
	<hr/>	<hr/>
Trade payables	1,167,486	1,157,410
Bills payable	926,475	612,207
Other tax payables	44,386	138,266
Construction cost and retention payables	48,503	75,264
Selling expense payables	846,875	995,471
Consideration payable for the acquisition of Shandong Wego New Life Medical Devices Co., Ltd.	206,000	309,000
Obligation arising on acquisition of Zhejiang Quantum Medical Devices Co., Ltd.	21,053	20,363
Consideration payable for the share award scheme	69,166	103,478
Cash-settled share-based payments	46,101	–
Other payables	1,097,806	1,134,688
	<hr/>	<hr/>
	4,473,851	4,546,147
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current liabilities	4,294,068	4,319,784
Non-Current liabilities	179,783	226,363
	<hr/>	<hr/>
	4,473,851	4,546,147
	<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 amounts due to fellow subsidiaries of RMB322,074,000 (2023: RMB389,649,000), an amount due to an associate of RMB11,426,000 (2023: RMB42,592,000), an amount due to a holding company of RMB1,718,000 (2023: RMB1,047,000), and an amount due to an associate of a holding company of RMB4,433,000 (2023: RMB7,000). The amounts are unsecured, interest-free and repayable within credit period.

Included in other payables and consideration payable for the acquisition of Wegao New life are amounts due to fellow subsidiaries of RMB264,875,000 (2023: RMB343,698,000), an amount due to an associate of RMB478,000 (2023: RMB17,000), an amount due to a holding company of RMB13,585,000 (2023: RMB105,515,000), and an amount due to an associate of a holding company of RMB8,172,000 (2023: RMB28,657,000). The amounts are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimisation of product mix

During the year ended 31 December 2024 (the “Year”), the gross profit margin of the Group amounted to 50.3%, which was similar to the 50.2% of last year.

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

- The medical device products business includes clinical care, medical testing equipment, anesthesia and surgical-related products
 - The pharmaceutical packaging business includes prefilled syringes and pre-filled flush syringes
 - 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
 - The blood management business includes blood collection, storage, separation, and sterilization of consumables and equipment
1. During the Year, the medical device products business recorded a turnover of approximately RMB6,296,502,000, representing a decrease of 6.4% over last year. Despite being affected by pricing pressures, the core clinical care products have continued to expand market share, and the competitive edge remains robust. With continued sales growth and further consolidation of market share, a rebound in revenue is expected in the future. Several strategically positioned product lines will provide new growth drivers moving forward.

2. During the Year, the pharmaceutical packaging business recorded a turnover of approximately RMB2,278,608,000, representing an increase of 12.6% over last year. Prefilled syringes demonstrated strong growth, and as an industry leader, we continued to enhance our service capability to bio-pharmaceutical downstream customers and improved customers' dependence. Sales of flushing syringes continued to grow, but revenue declined due to the impact of centralized procurement pricing.
3. During the Year, the orthopaedic business recorded a turnover of approximately RMB1,439,446,000, representing an increase of 13.2% over last year. The terminal surgical implantation volume of major orthopaedic products experienced high growth, continued to increase market share. Sports medicine, orthopedic biomaterials, and other business lines have seen robust growth.
4. During the Year, the interventional business recorded a turnover of approximately RMB2,195,738,000, representing an increase of 1.4% over last year. Global business progressed in a steady manner, and the gradual launch of new products into the market will drive sustained revenue growth for the interventional segment.

RESEARCH AND DEVELOPMENT

For the year ended 31 December 2024, the Group obtained product registration certificates for 150 new products in the PRC. The research and development for 44 products were completed for which applications for product registration certificates are underway. 127 new patents were obtained and 147 patents are under the application. For the year ended 31 December 2024, the Group had over 873 product registration certificates and 1,040 patents, of which 198 were patents on invention, in the PRC.

For the overseas market, 14 patents are under application and the research and development for 26 products were completed for which application for product registration certificates are underway. For the year ended 31 December 2024, the Group had over 749 product registration certificates and 183 patents.

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 on its customer resources and provided the Group with new profit growth drivers.

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 product series, so as to maintain its leading position in research and development capability in China.

In addition, the prices of major products decreased due to the impact of volume-based procurements. To adapt to the demand for cost reduction, the Group has strategically “reduced costs through R&D and design” and upgraded the design of some of its major products to better improve its competitiveness in the market and increase its profitability.

For the year ended 31 December 2024, total research and development expenses amounted to approximately RMB625,233,000 (2023: approximately RMB592,850,000), representing 4.8% (2023: 4.5%) of the revenue of the Group.

PRODUCTION

During the Year, to expand production capacity, the Group continued to expand its production facilities 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. For the year ended 31 December 2024, the Group newly added 196 hospitals, 26 other medical institutions, and 174 distributors to its PRC customer base, and the Group has a PRC customer base of 10,166 in aggregate (including 3,998 hospitals, 419 blood stations, 1,204 other medical units, and 4,545 distributors) and an overseas customer base of 7,685 in aggregate (including 3,290 hospitals, 2,053 other medical units, and 2,342 distributors).

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

Turnover by Geographical Information

Regions	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>	Increase or decrease over corresponding period %
The PRC			
– Eastern and Central	5,163,133	5,510,891	(6.3%)
– Northern	1,729,337	1,915,805	(9.7%)
– Southern	1,115,331	956,456	16.6%
– Northeastern	800,575	856,722	(6.6%)
– Southwestern	757,938	742,105	2.1%
– Northwestern	233,263	222,493	4.8%
PRC sub-total	<u>9,799,577</u>	<u>10,204,472</u>	<u>(4.0%)</u>
Overseas			
– USA	1,402,618	1,301,817	7.7%
– Europe, Middle East and Africa	850,886	709,686	19.9%
– Asia and others	1,033,990	1,013,478	2.0%
Overseas sub-total	<u>3,287,494</u>	<u>3,024,981</u>	<u>8.7%</u>
Total	<u><u>13,087,071</u></u>	<u><u>13,229,453</u></u>	<u><u>(1.1%)</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		
	2024 RMB'000	2023 RMB'000	Over corresponding period %	2024 RMB'000	2023 RMB'000	Over corresponding period %
Medical device products	6,296,502	6,727,859	(6.4)	3,107,877	3,273,519	(5.1)
Pharma packaging products	2,278,608	2,023,809	12.6	1,111,003	962,690	15.4
Blood management	876,777	1,041,994	(15.9)	456,662	518,506	(11.9)
Orthopaedic products	1,439,446	1,271,203	13.2	694,455	474,100	46.5
Interventional products	2,195,738	2,164,588	1.4	1,081,386	1,102,938	(2.0)
Total	13,087,071	13,229,453	(1.1)	6,451,383	6,331,753	1.9

HUMAN RESOURCES

As at 31 December 2024, the Group employed a total of 12,719 employees. The breakdown by departments when compared with last year is as follows:

Department

	2024	2023
Production	6,440	6,183
Sales and marketing	3,180	3,265
Research and development	1,386	1,370
Finance and administration	622	626
Quality control	650	653
Management	354	336
Purchasing	87	86
Total	12,719	12,519

There are a total of 1,381 overseas employees who reside 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 RMB2,431,338,000 (2023: approximately RMB2,209,253,000).

REMUNERATION SYSTEM

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

FINANCIAL REVIEW

For the year ended 31 December 2024, the Group recorded a turnover for the year of approximately RMB13,087,071,000, representing a decrease of 1.1% over the previous financial year. Net profit attributable to the owners of the Company was approximately RMB2,066,668,000 (2023: approximately RMB2,001,906,000), representing an increase of approximately 3.2% as compared with the previous year. Net profit attributable to the owners of the Company (excluding extraordinary items) was approximately RMB2,066,668,000 (2023: approximately RMB1,982,432,000), representing an increase of 4.2% over the previous year.

FINANCIAL SUMMARY

	2024	2023	Increase (decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	%
Turnover	13,087,071	13,229,453	(1.1%)
Gross profit	6,580,631	6,643,033	(0.9%)
Net profit attributable to the owners of the Company	2,066,668	2,001,906	3.2%
Net profit attributable to the owners of the Company (excluding extraordinary items)	2,066,668	1,982,432	4.2%

There was no extraordinary item in 2024 (extraordinary items in 2023: the one-off post-tax gain attributable to the owners of the Company of approximately RMB19,474,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position. As of 31 December 2024, the Group's cash and bank balance amounted to approximately RMB7,780,310,000. For the year ended 31 December 2024, the net cash flow from operating activities of the Group amounted to approximately RMB2,789,971,000, representing a sound cash flow position.

For the year ended 31 December 2024, the total interest expenses of the Group amounted to approximately RMB249,572,000 (2023: total interest expenses of approximately RMB272,971,000).

GEARING RATIO

The gearing ratio of the Group as of the end of 2024 reduced to 17.7% (2023: 18.6%).

As of 31 December 2024, the total net cash of the Group amounted to approximately RMB3,587,164,000 (2023: net cash of approximately RMB2,819,414,000). 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 better manage foreign exchange risk. 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 year ended 31 December 2024, 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 RMB56,436,000 for the year ended 31 December 2024 (2023: foreign exchange loss equivalent to approximately RMB16,602,000).

MATERIAL INVESTMENTS/FUTURE MATERIAL INVESTMENT PLANS

1. During the Year, the Group continued to invest approximately RMB612,810,000 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. 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. 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 installments, with a payment of an aggregate of RMB824,000,000 being made and a payment of RMB103,000,000 expected to be made in 2025.
4. In 2025, the Group planned to invest approximately RMB250,000,000 in a new production line for pre-filled syringes and a production line for auto-injectors, which is under the construction process, and is expected to be successively put in operation by 2026.
5. In 2025, the Group planned to further invest approximately RMB340,000,000 in the upgrading and reconfiguration of the single-use consumables and orthopaedic consumables equipment to further enhance the level of production automation.

Save for the above material investments and investment plans, the Group had no future plans involving significant investments or capital assets acquisition as of 31 December 2024.

CAPITAL COMMITMENT

As of 31 December 2024, 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 RMB1,152,555,000 (2023: approximately RMB1,151,986,000). The above amounts will be financed by the internal resources of the Group.

PLEDGE OF THE GROUP'S ASSETS

On 6 December 2024, the Company and a wholly-owned subsidiary of the Company entered into loan agreements with International Finance Corporation (“IFC”) for a seven-year long-term loan facilities with a loan amount of USD210,000,000 and USD40,000,000 respectively. As of 31 December 2024, the relevant loan remained undrawn.

As of 31 December 2024, 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 IFC, and pledged/restricted bank deposits of approximately RMB395,089,000 (2023: approximately RMB754,975,000) to secure short-term borrowing, bills and letters of credit granted to the Group.

The lease financing company pledged account receivables of approximately RMB1,397,000 (2023: approximately RMB8,913,000) to secure bank facilities.

As of 31 December 2024, the loan principal of Argon Medical Devices Holdings, Inc. (“Argon”) amounted to US\$169,750,000, which was secured by the equity interest in subsidiaries of Argon, with the property, plant and equipment, intangible assets, inventories, trade receivables, cash and bank balances of Argon as collateral. The loan principal of WW Medical and Healthcare Company Limited (“WW Cayman”) amounted to RMB975,000,000, which was secured by the Company, Argon Medical Devices (Hong Kong) Company Limited and Argon (Shanghai) Medical Devices Company Limited.

RESERVES AND DISTRIBUTABLE RESERVES

As of 31 December 2024, the total reserves of the Group amounted to RMB23,294,580,000 (2023: RMB21,992,058,000).

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 2024, the distributable reserves of the Company were approximately RMB9,513,833,000 (2023: RMB9,212,316,000).

REVIEW AND OUTLOOK

In 2024, the global market of medical devices continued to grow, with the sales volume of products of each business segment of the Company maintaining an increasing trend, the market share of core products further consolidated, and brand influence continued to strengthen.

The impact of the centralized volume-based procurement policy in public hospitals in China on the prices and profits of certain products of the Company has gradually stabilized. The Company regards this policy as a normalized measure in the PRC healthcare market, and proactively seeks to expand its market share and enhance competitiveness by participating in bidding and optimizing market strategies.

Committed to the dual-engine strategy driven by product layout and business layout, the Company achieved a steady growth in its performance. In terms of new products, the Company continued to advance innovative research and development, and constantly improved and enriched its product portfolio. It has also established a clear medium-long-term product planning, building a solid foundation for future development. In terms of business layout, the Company has established differentiated expansion strategies customized to the characteristics of various regions of the PRC and overseas markets and deployed corresponding resources to comprehensively enhance market penetration and competitiveness.

Meanwhile, certain macroeconomic factors continue to exert pressure on the Company's performance, such as the persistently high US dollar interest rates, which pushed up the finance costs. Also the prolonged accounts receivable period of some domestic medical institutions increased operating costs and lowered the asset turnover efficiency.

In the generic medical device segment, centralized volume-based procurement for different products will continue to advance across various provinces. Leveraging its rich product portfolio and extensive market coverage, the Company possesses the ability to respond to risks. Through measures such as product upgrading and iteration, refined cost control and common consumption market development, the Company actively seizes market opportunities, further enhances its market share, and strengthens its industry competitiveness. Moreover, the Company's long-cultivated perioperative series of consumables and equipment and businesses such as hospital department information systems will serve as significant drivers for sustained performance growth.

In the orthopedic segment, facing the deepening of volume-based procurement policies and industry reshaping, the Company has proactively adjusted its business strategies, facilitated marketing model transformation, and significantly improved its terminal service capabilities and customer coverage. By optimizing the product line, strengthening the management efficiency of core customers, and exploring diversified channels, its market share has steadily increased. At the same time, the Company focuses on the research and innovation of new materials, new technologies, and new horizons, continuously improves the upstream and downstream orthopedics industrial layout, and advances product iteration and clinical procedures upgrades to further enhance market competitiveness.

In the pharmaceutical packaging business, the Company's market position has been further reinforced. By continuously increasing production capacity and enhancing its ability to serve downstream pharmaceutical manufacturers, the Company has effectively strengthened customer loyalty. At the same time, the Company proactively seizes opportunities such as the demands of downstream enterprises for product upgrades and business layout adjustment, and continuously expands its pharmaceutical packaging product portfolio to drive sales growth. Among these, the series of products of pen injectors applied in the household injection scenarios for autoimmune diseases, with their promising market prospects, will become a significant driver for the stable growth of its business's performance. In addition, the Company has continued to optimise its production and supply chain management, further reduce its costs, and elevate its operational efficiency to better adapt to changes in the market environment.

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.

On 11 February 2025, the Company repurchased the H shares of the Company ("H Shares") for the first time. As at the date of this announcement, a total of 2,086,000 H Shares were repurchased and were held as treasury shares.

CHANGE OF BOARD COMPOSITION AND SENIOR MANAGEMENT

With effect from 28 May 2024:–

- (a) Mr. Wang Daoming was appointed as an executive director of the Company;
- (b) Mrs. Yan Xia was appointed as a non-executive director of the Company; and
- (c) Mr. Sun Heng was appointed as an independent non-executive director of the Company.

Save as disclosed above, there is no change of information on directors and supervisors of the Company during the year ended 31 December 2024 pursuant to Rule 13.51B 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 C3 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 2024 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 26 March 2025. 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 on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four members, including four independent non-executive directors, namely Mr. Li Guohui, Mrs. Meng Hong, Mr. Li Qiang and Mr. Sun Heng 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 of the Company in compliance with Rule 3.13 of the Listing Rules. 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 C1 of the Listing Rules throughout the year ended 31 December 2024.

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 Wednesday, 21 May 2025 to Tuesday, 27 May 2025 (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 Investor Services Limited, at 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 20 May 2025.

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.,
Tuesday, 20 May 2025

Closure of register of members
of the Company for attending and
voting at the Annual General Meeting Wednesday, 21 May 2025 to
Tuesday, 27 May 2025
(both days inclusive)

Date of the Annual General Meeting Tuesday, 27 May 2025

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 Wednesday, 4 June 2025 to Tuesday, 10 June 2025 (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 Investor Services Limited, at 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 3 June 2025.

In order to qualify to entitle the final dividend for the year ended 31 December 2024:–

Latest time to lodge in transfer instrument accompanied
by the share certificates for H Shares 4:30 p.m., Tuesday,
3 June 2025

Closure of register of members of the Company
for entitlement of the final dividend
for the year ended 31 December 2024 Wednesday, 4 June 2025 to
Tuesday, 10 June 2025
(both days inclusive)

Record date for determining the entitlement
of the final dividend Tuesday, 10 June 2025

Expected despatch date of the final dividend. Friday, 11 July 2025

The final dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or before Friday, 11 July 2025.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2024 of RMB0.1235 (2023: RMB0.0943) (before considering any tax effect) per share totaling RMB564,473,092 (2023: RMB431,010,628), which will be subject to the approval of shareholders of the Company at the forthcoming 2024 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 held on Tuesday, 27 May 2025 (“Annual General Meeting”). 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, 11 July 2025. 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 Annual General Meeting.

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 2024 ANNUAL REPORT

The 2024 annual report for the year ended 31 December 2024 will be despatch to shareholders of the Company and is expected to be despatched to shareholders of the Company on or around 30 April 2025.

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

26 March 2025
Weihai, Shandong Province, the PRC

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

Executive Directors

Mr. Long Jing (*Chairman*)
Mr. Cong Rinan (*Chief Executive Officer*)
Mr. Lu Junqiang
Mr. Wang Daoming

Non-Executive Directors

Mr. Tang Zhengpeng (*Vice Chairman*)
Mr. Chen Lin
Mrs. Yan Xia

Independent non-executive Directors

Mr. Li Guohui
Mrs. Meng Hong
Mr. Li Qiang
Mr. Sun Heng