The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Morgan Stanley Asia Limited pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

October 28, 2013

The Directors
PW Medtech Group Limited

Morgan Stanley Asia Limited

Dear Sirs,

We report on the financial information of PW Medtech Group Limited (the "Company", previously known as "Pyholding Limited") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at December 31, 2010, 2011, 2012 and June 30, 2013, the balance sheets of the Company as at December 31, 2011, 2012 and June 30, 2013 and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended December 31, 2010, 2011 and 2012 and the six months end June 30, 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated October 28, 2013 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on May 13, 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, which was completed on July 11, 2013, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

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As at the date of this report, the Company has direct and indirect interests in the subsidiaries, as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon and on the basis set out in Note 2 of Section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 2 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, a true and fair view of the state of affairs of the Company as at December 31, 2011, 2012 and June 30, 2013 and of the combined state of affairs of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013 and of the Group's combined results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for the six months ended June 30, 2012 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 2 of Section II below and the accounting policies set out in Note 3 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at December 31, 2010, 2011 and 2012 and June 30, 2013 and for each of the years then ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 (the "Financial Information"), presented on the basis set out in Note 2 of Section II below:

Combined Balance Sheets

		As at December 31,			As at June 30,
		2010	2011	2012	2013
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Land use rights	*7*	2,732	2,672	31,161	52,237
Property, plant and equipment	*8*	45,735	104,945	115,177	174,387
Intangible assets	*9*	67	198,572	207,331	320,588
Available-for-sale financial assets	*10*	—	100	—	—
Investment in structured products	*11*	—	—	3,000	—
Deferred income tax assets	*21*	1,408	4,007	5,925	6,957
Long-term prepayments	*12*	6,444	39,253	109,004	20,776
		56,386	349,549	471,598	574,945
Current assets					
Inventories	*13*	15,445	54,702	72,994	76,709
Amounts due from related parties	*32*	1,790	8,000	395	2,546
Trade and other receivables	*14*	30,585	68,767	161,203	214,074
Restricted cash	*15*	11	—	2,657	4,158
Cash and cash equivalents	*16*	62,750	61,142	212,466	142,192
		110,581	192,611	449,715	439,679
Total assets		166,967	542,160	921,313	1,014,624

	Notes	As at December 31, 2010 RMB'000	As at December 31, 2011 RMB'000	As at December 31, 2012 RMB'000	As at June 30, 2013 RMB'000
Equity					
Equity attributable to owners of the Company					
Combined capital	*17*	—	1	1	46
Share premium	*17*	—	—	—	555,987
Other reserves	*18*	34,090	51,871	265,018	(16,150)
Retained earnings		17,747	39,850	84,518	134,532
		51,837	91,722	349,537	674,415
Non-controlling interests		76,689	161,526	175,164	93,396
Total equity		128,526	253,248	524,701	767,811
Liabilities					
Non-current liabilities					
Deferred income tax liabilities	*21*	—	10,661	8,389	16,678
Amounts due to related parties	*32*	—	92,350	—	—
Deferred income	*22*	—	—	400	2,362
		—	103,011	8,789	19,040
Current liabilities					
Amounts due to related parties	*32*	7,034	120,000	108,153	13,885
Trade and other payables	*19*	27,853	60,402	242,715	105,135
Current income tax liabilities		3,554	5,499	6,955	11,435
Borrowings	*20*	—	—	30,000	97,318
		38,441	185,901	387,823	227,773
Total liabilities		38,441	288,912	396,612	246,813
Total equity and liabilities		166,967	542,160	921,313	1,014,624
Net current assets		72,140	6,710	61,892	211,906
Total assets less current liabilities		128,526	356,259	533,490	786,851

Balance Sheets

		As at December 31,		As at June 30,
		2011	2012	2013
	Notes	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Investments in and loans to subsidiaries	*27*	—	125,710	549,242
Current assets				
Amounts due from subsidiaries	*32*	—	—	2,371
Trade and other receivables	*14*	1	24	2,535
Cash and cash equivalents	*16*	—	106,055	4,488
		1	106,079	9,394
Total assets		1	231,789	558,636
Equity				
Share capital	*17*	1	1	46
Share premium	*17*	—	—	555,987
Other reserves	*18*	—	233,930	—
Accumulated losses		(9)	(2,165)	(5,040)
Total equity		(8)	231,766	550,993
Liabilities				
Current liabilities				
Amounts due to subsidiaries	*32*	—	—	609
Trade and other payables	*19*	9	23	7,034
Total liabilities		9	23	7,643
Total equity and liabilities		1	231,789	558,636
Net current (liabilities)/assets		(8)	106,056	1,751
Total assets less current liabilities		(8)	231,766	550,993

Combined Income Statements

		Year ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	6	60,816	175,267	331,541	145,773	218,750
Cost of sales	24	(16,629)	(66,150)	(112,694)	(54,521)	(71,360)
Gross profit		44,187	109,117	218,847	91,252	147,390
Selling expenses	24	(13,071)	(23,405)	(46,821)	(17,900)	(28,542)
Administrative expenses	24	(10,621)	(17,708)	(35,603)	(14,668)	(33,272)
Research and development expenses	24	(1,153)	(7,064)	(9,512)	(4,651)	(6,614)
Other gains — net	23	30	866	1,570	1,687	251
Operating profit		19,372	61,806	128,481	55,720	79,213
Finance income	26	38	201	329	71	247
Finance costs	26	(2,142)	(4,679)	(9,089)	(3,377)	(5,116)
Finance costs — net	26	(2,104)	(4,478)	(8,760)	(3,306)	(4,869)
Profit before income tax		17,268	57,328	119,721	52,414	74,344
Income tax expense	28	(2,936)	(7,982)	(19,538)	(7,845)	(14,104)
Profit for the year/period		14,332	49,346	100,183	44,569	60,240
Profit attributable to:						
Owners of the Company		7,117	22,103	44,668	20,141	50,014
Non-controlling interests		7,215	27,243	55,515	24,428	10,226
		14,332	49,346	100,183	44,569	60,240
Earnings per share for profit attributable to owners of the Company	36	n.a	n.a	n.a	n.a	n.a

Combined Statements of Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period	14,332	49,346	100,183	44,569	60,240
Other comprehensive income/ (loss):					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	2,410	(408)	423	347	1,418
Other comprehensive income/ (loss) for the year/period, net of tax	2,410	(408)	423	347	1,418
Total comprehensive income for the year/period	16,742	48,938	100,606	44,916	61,658
Attributable to:					
— Owners of the Company	9,527	21,695	45,091	20,488	51,432
— Non-controlling interests	7,215	27,243	55,515	24,428	10,226
	16,742	48,938	100,606	44,916	61,658

Combined Statements of Changes in Equity

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Combined capital	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2010	—	7,766	10,630	18,396	15,052	33,448
Comprehensive income						
Profit for the year	—	—	7,117	7,117	7,215	14,332
Other comprehensive income	—	2,410	—	2,410	—	2,410
Total comprehensive income	—	2,410	7,117	9,527	7,215	16,742
Transactions with owners						
Capital contributions to subsidiaries by their then equity owners and the non-controlling interests	—	4,443	—	4,443	3,893	8,336
Changes in ownership interests in subsidiaries without change of control *(Note 33(a)(i))*	—	19,471	—	19,471	50,529	70,000
Total transaction with owners	—	23,914	—	23,914	54,422	78,336
Balance at December 31, 2010	—	34,090	17,747	51,837	76,689	128,526
Balance at January 1, 2011	—	34,090	17,747	51,837	76,689	128,526
Comprehensive income						
Profit for the year	—	—	22,103	22,103	27,243	49,346
Other comprehensive loss	—	(408)	—	(408)	—	(408)
Total comprehensive income	—	(408)	22,103	21,695	27,243	48,938
Transactions with owners						
Non-controlling interests arising on business combination *(Note 34(a))*	—	—	—	—	57,344	57,344
Difference between the carrying amount and undiscounted amount of interest-free loan received from a related party, net of tax *(Note 32(b))*	—	8,439	—	8,439	—	8,439
Issuance of shares *(Note 17(b))*	1	—	—	1	—	1
Capital contributions to subsidiaries by their then equity owners and the non-controlling interests	—	9,750	—	9,750	250	10,000
Total transaction with owners	1	18,189	—	18,190	57,594	75,784
Balance at December 31, 2011	1	51,871	39,850	91,722	161,526	253,248

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Combined capital	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2012	1	51,871	39,850	91,722	161,526	253,248
Comprehensive income						
Profit for the year	—	—	44,668	44,668	55,515	100,183
Other comprehensive income	—	423	—	423	—	423
Total comprehensive income	—	423	44,668	45,091	55,515	100,606
Transactions with owners						
Non-controlling interests arising on business combination *(Note 34(b))*	—	—	—	—	16,817	16,817
Capital contributions by their then equity owners	—	285,685	—	285,685	—	285,685
Changes in ownership interests in subsidiaries without change of control — introduction of certain financial investors *(Note 33 (a)(ii))*	—	6,428	—	6,428	51,917	58,345
Changes in ownership interests in subsidiaries without change of control — acquiring additional interests *(Note 33 (b))*	—	(69,637)	—	(69,637)	(110,363)	(180,000)
Consideration paid to the then equity owners and the non-controlling interests for acquisition of a subsidiary under common control	—	(9,752)	—	(9,752)	(248)	(10,000)
Total transaction with owners	—	212,724	—	212,724	(41,877)	170,847
Balance at December 31, 2012	1	265,018	84,518	349,537	175,164	524,701

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Combined capital	Share premium	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2013	1	—	265,018	84,518	349,537	175,164	524,701
Comprehensive income							
Profit for the period	—	—	—	50,014	50,014	10,226	60,240
Other comprehensive income	—	—	1,418	—	1,418	—	1,418
Total comprehensive income	—	—	1,418	50,014	51,432	10,226	61,658
Transactions with owners							
Non-controlling interests arising on business combination *(Note 34(c))*	—	—	—	—	—	37,790	37,790
Changes in ownership interests in subsidiaries without change of control *(Note 33 (c) and (d))*	—	—	(48,656)	—	(48,656)	(129,784)	(178,440)
Issuance of ordinary shares *(Note 17(d))*	45	555,987	(233,930)	—	322,102	—	322,102
Total transaction with owners	45	555,987	(282,586)	—	273,446	(91,994)	181,452
Balance at June 30, 2013	46	555,987	(16,150)	134,532	674,415	93,396	767,811

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Combined capital	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Balance at January 1, 2012	1	51,871	39,850	91,722	161,526	253,248
Comprehensive income						
Profit for the period	—	—	20,141	20,141	24,428	44,569
Other comprehensive income	—	347	—	347	—	347
Total comprehensive income	—	347	20,141	20,488	24,428	44,916
Transactions with owners						
Non-controlling interests arising on business combination *(Note 34(b))*	—	—	—	—	16,817	16,817
Consideration paid to the then equity owners and the non-controlling interests for acquisition of a subsidiary under common control	—	(9,752)	—	(9,752)	(248)	(10,000)
Total transaction with owners	—	(9,752)	—	(9,752)	16,569	6,817
Balance at June 30, 2012	1	42,466	59,991	102,458	202,523	304,981

Combined Cash Flow Statements

		Year ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from operations	29	15,207	26,408	46,332	9,932	43,487
Interest paid		(720)	—	(340)	—	(1,634)
Income tax paid		(2,752)	(10,695)	(21,086)	(10,259)	(10,359)
Net cash generated from/(used in) operating activities		11,735	15,713	24,906	(327)	31,494
Cash flows from investing activities						
Acquisition of subsidiaries-net of cash acquired	*29(c)*	—	(229,235)	(61,093)	20,907	7,237
Prepayment for capital contribution to set up a subsidiary	*12*	—	—	(10,000)	—	—
Purchases of property, plant and equipment		(23,991)	(19,987)	(38,039)	(26,463)	(38,788)
Purchases of land use rights		—	(17,000)	(10,908)	(10,908)	(3,084)
Purchases of intangible assets		—	(3)	—	—	(71)
Acquisition of investment in structured products		—	—	(3,000)	—	—
Interest income on investment in structured products		—	—	—	—	31
Proceeds from disposal of investment in structured products		—	—	—	—	3,000
Loans provided to related parties		—	(8,000)	(1,000)	—	(1,000)
Loan repayments received from related parties		—	—	9,000	8,000	1,000
Net (increase)/decrease in restricted cash		(11)	11	(2,657)	—	(1,501)
Proceeds from disposal of available-for-sale financial assets		—	27,500	—	—	—
Proceeds from disposal of property, plant and equipment	*29(b)*	—	—	116	—	2,631
Government grants relating to assets received		—	—	—	—	2,000
Net cash used in investing activities		(24,002)	(246,714)	(117,581)	(8,464)	(28,545)

		Year ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from financing activities						
Consideration paid to the then equity owners and the non-controlling interests for acquisition of a subsidiary under common control		—	(100,000)	(130,000)	(8,000)	—
Loan provided by a related party		—	100,000	—	—	—
Cash receipt from transaction with non-controlling interests	*33(a)*	70,000	—	58,345	—	—
Cash paid for acquiring additional interests in subsidiaries without change of control		—	—	—	—	(348,440)
Proceeds from borrowings		—	—	30,000	—	99,000
Repayment of borrowings		(15,000)	—	—	—	(45,582)
Repayment of loan provided by a related party		—	—	—	—	(100,000)
Capital contributions by the then equity owners and non-controlling interests		8,336	230,000	285,685	—	—
Proceeds from issuance of ordinary shares		—	1	—	—	322,012
Net cash generated from/(used in) financing activities		63,336	230,001	244,030	(8,000)	(73,010)
Net increase/(decrease) in cash and cash equivalents		51,069	(1,000)	151,355	(16,791)	(70,061)
Cash and cash equivalents at beginning of the year/period		13,308	62,750	61,142	61,142	212,466
Exchange losses on cash and cash equivalents		(1,627)	(608)	(31)	(31)	(213)
Cash and cash equivalents at end of the year/period		62,750	61,142	212,466	44,320	142,192

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP AND REORGANISATION

(a) General information of the Group

The Company was incorporated in the Cayman Islands on May 13, 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is the Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman, KY1-1208, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries now comprising the group (the "Group") are principally engaged in the development, manufacturing and sale of (i) infusion set products (the "Infusion Set Business"); and (ii) orthopedic implants (the "Orthopedic Implant Business," together with the Infusion Set Business, collectively known as the "Listing Businesses") in the People's Republic of China (the "PRC").

(b) Reorganisation

The Listing Businesses were controlled by Ms. Yufeng Liu ("Ms. Liu") at the beginning of the Relevant Periods, or since the date when the companies first came under the common control by Ms. Liu, whichever is a shorter period.

Prior to incorporation of the Company and the completion of the reorganization as described below, the Listing Businesses were controlled through two holding companies, PWM Investment Limited ("PWM Investment") and PW Medtech (Beijing) Limited (previously known as "Beijing Bright Westward Investment Consultancy Co., Ltd.," hereafter referred to as "PWM Beijing"). PWM Investment is a limited liability company established in Hong Kong, while PWM Beijing is a limited liability company established in the PRC. Both companies are controlled and beneficially owned by Ms. Liu through Cross Mark Limited ("Cross Mark"), a company established in the BVI and wholly owned by Ms. Liu.

In preparation of the initial listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), a group reorganisation (the "Reorganisation") was undertaken pursuant to which the group companies engaged in the Listing Businesses controlled by PWM Investment and PWM Beijing were transferred to the Company. The other shareholders of the Listing Businesses also had transferred their equity interests in the Listing Businesses in exchange for the shares of the Company. The Reorganisation involved the following:

(1) On May 13, 2011, the Company (previously known as "Pyholding Limited") was incorporated in the Cayman Islands with 100 issued combined capital of US$1.00 each allotted and issued to Cross Mark.

(2) On June 29, 2011, Health Access Limited ("Health Access") was incorporated in Hong Kong with one issued combined capital of HK$1.00 allotted and issued to the Company.

(3) On September 15, 2011, Cross Mark transferred the whole equity interests in PWM Beijing, which owned the Infusion Set Business, to Health Access at a cash consideration of RMB220,000,000. Upon completion of the transfer, PWM Beijing became an indirect wholly owned subsidiary of the Company.

(4) Pursuant to an instrument of transfer on January 12, 2012, PWM Beijing acquired 97.5% and 2.5% equity interests in Beijing Zhong Jie Tian Gong Medical Technology Co., Ltd. ("Zhong Jie Tian Gong") from Ms. Liu and an individual with an aggregated cash consideration of RMB10,000,000. Upon completion of the transfer, Beijing Zhong Jie Tian Gong became an indirect wholly owned subsidiary of the Company.

(5) Pursuant to an instrument of transfer on July 11, 2013, the Company acquired 100% equity interests in PWM Investment, which contain the Orthopedic Implant Business from each of its existing shareholders, namely, Cross Mark, WP X Asia Medical Devices Holding Limited ("WP X") and Sparkle Wealthy Limited ("Sparkle Wealthy") and the consideration is satisfied by the Company issuing and allotting 21,658,670 new shares.

(6) After the completion of the Reorganisation and common control transaction as described above, the Company becomes the holding company of the subsidiaries now comprising the Group.

Upon completion of the Reorganisation and as of the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company name	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Effective equity interests held					Principal activities or place of operation	Statutory auditors		
				December 31,			June 30,	As at the date of this report				
				2010	2011	2012	2013			2010	2011	2012
Directly owned:												
PWM Investment	Hong Kong/Limited liability company	October 30, 2009	10,000 ordinary shares of HK$1 each	53.3%	53.3%	51.7%	51.7%	100%	Investment holding	(i)	(i)	(i)
Health Access	Hong Kong/Limited liability company	June 29, 2011	10,000 ordinary shares of HK$1 each	n.a	100%	100%	100%	100%	Investment holding	n.a	(x)	(i)
Indirectly owned:												
Health Forward Holdings Limited	Hong Kong/Limited liability company	January 21, 2010	ordinary shares of HK$1 each	53.3%	53.3%	51.7%	51.7%	100%	Investment holding	(i)	(i)	(i)
PWM Beijing (普華和順 (北京) 醫療科技有限公司).	PRC/Limited liability company	August 10, 2000	RMB54,300,000	—	100%	100%	100%	100%	Investment holding	n.a	(x)	(vi)
Zhong Jie Tian Gong (北京中傑天工醫療科技有限公司).	PRC/Limited liability company	September 22, 2011	RMB10,000,000	—	97.5%	100%	100%	100%	Infusion Set Business	n.a	(x)	(vi)
Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司).	PRC/Limited liability company	September 23, 1997	RMB66,000,000	—	55.625%	100%	100%	100%	Infusion Set Business	(v)	(v)	(vi)
Tianjin Walkman Biomaterial Co., Ltd. (天津市威曼生物材料有限公司) *(a)*. .	PRC/Limited liability company	November 8, 2001	RMB25,742,000	39.19%	39.19%	40.85%	51.7%	100%	Orthopedic Implant Business	(iii)	(iii)	(iii)
Tianjin Shengge Biology Engineering Co., Ltd. (天津市聖格生物工程有限公司) *(a)*	PRC/Limited liability company	March 21, 2006	RMB10,000,000	39.19%	39.19%	40.85%	51.7%	100%	Orthopedic Implant Business	(iii)	(iii)	(iii)
Anyang Weili Medical Instrument Manufacturing Co., Ltd. (安陽市偉力醫療器械製造有限責任公司) *(a)*.	PRC/Limited liability company	August 12, 1996	RMB3,000,000	39.19%	39.19%	40.85%	51.7%	100%	Orthopedic Implant Business	(iv)	(iv)	(iv)
Tianjin Yinger Biotechnology Co., Ltd. (天津市英爾生物技術有限公司) *(a)*. .	PRC/Limited liability company	October 22, 2009	RMB8,500,000	—	—	40.85%	51.7%	—	Investment holding	(iii)	(x)	(iii)
Tianjin Renli Orthopedic Appliances Co., Ltd. (天津市人立骨科器械有限公司) *(a)*	PRC/Limited liability company	September 2, 2002	RMB22,666,000	—	—	24.51%	31.2%	—	Orthopedic Implant Business	(ii)	(ii)	(iii)
Xuzhou Yijia Medical Device Co.,Ltd. (徐州一佳醫療器械有限公司).	PRC/Limited liability company	June 30, 2003	RMB7,000,000	—	—	—	100%	100%	Infusion Set Business	(vii)	(vii)	(vii)

Company name	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Effective equity interests held					Principal activities or place of operation	Statutory auditors		
				December 31,			June 30,	As at the date of this report				
				2010	2011	2012	2013			2010	2011	2012
Shandong Fert Technology Co., Ltd. (山東伏爾特技術有限公司)	PRC/Limited liability company	January 8, 2013	RMB10,000,000	—	—	—	100%	100%	Infusion Set Business	n.a	n.a	n.a
Shenzhen Bone Medical Device Co., Ltd (深圳市博恩醫療器材有限公司).	PRC/Limited liability company	November 12, 2002	RMB1,346,154	—	—	—	51.7%	100%	Orthopedic Implant Business	(viii)	(ix)	(ix)
Lhasa Tianqiong Investment Management Co., Ltd (拉薩天穹投資管理有限公司).	PRC/Limited liability company	January 30, 2013	RMB7,000,000	—	—	—	100%	100%	Investment holding	n.a	n.a	n.a
Tianjin Yingshang Technological Development Co., Ltd (天津市英尚科技發展有限公司).	PRC/Limited liability company	October 16, 2009	RMB6,000,000	—	—	—	100%	100%	Investment holding	(x)	(x)	(x)

Note: n.a ("Not applicable")

(a) Cross Mark, the Parent of the Company has the power to govern the financial and operating policy of these companies by securing a majority of voting rights in the meeting of Board of Directors. Therefore, these companies are regarded as subsidiaries of the Group during the Relevant Periods;

(i) FTW & Partners CPA Limited

(ii) RSM China CPA Limited (中瑞岳華會計師事務所有限公司)

(iii) Tianjin Jinbei CPA Limited(天津津北會計師事務所有限公司)

(iv) Henan Tongxin CPA Limited (河南同心會計師事務所有限公司)

(v) Beijing Yonghongsheng CPA Limited (北京永泓勝會計師事務所有限公司)

(vi) Beijing Lante CPA Limited (北京藍特會計師事務所有限公司)

(vii) Xuzhou Gongzheng CPA Limited(徐州公正會計師事務所)

(viii) Shenzhen HuaLong partners CPA General Partner (深圳市華隆會計師事務所)

(ix) Shenzhen WongGa partners CPA General Partner (深圳市皇嘉會計師事務所)

(x) Except for the above mentioned companies, no audited statutory financial statements were prepared as it is not required to issue audited financial statements under the statutory requirement of its respective place of incorporation.

All the companies incorporated in the PRC and Hong Kong have adopted December 31 as their financial year-end date for statutory reporting purpose.

The English names of certain subsidiaries and auditors referred to above represented the best efforts by management of the Company in translating the subsidiaries and auditors' Chinese names, as they do not have official English names.

2 BASIS OF PRESENTATION

Ms. Liu owned and controlled the companies now comprising the Group immediately before the Reorganisation and continues to own and control these companies after the Reorganisation.

For the purpose of this report, the Financial Information has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The combined balance sheets, the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods, since their respective dates of incorporation/establishment, or since the date when the companies first came under the control of Ms. Liu, whichever is the shorter period, in a manner similar to the principles of merger accounting under Hong Kong Accounting Guidelines 5 "Merger Accounting for Common Control Combination" issued by the HKICPA.

For companies acquired from third parties during the Relevant Periods, they were included in the Financial Information from the respective dates of acquisition as mentioned in Note 34.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods unless otherwise stated.

3.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and are set out below. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

New standards, amendments and interpretation to the existing standards that are effective during the Relevant Periods have been adopted by the Group consistently throughout the Relevant Periods unless prohibited by the relevant standard to apply retrospectively.

New standards, amendments and interpretations published by the HKICPA that are not yet effective and have not been early adopted by the Group.

	Effective for annual periods beginning on or after
HKAS 32 "Financial instruments: Presentation — offsetting financial assets and financial liabilities" — Amendment	January 1, 2014
Amendments to HKFRS 10 and HKFRS12 (revised 2011) "Investment entities"	January 1, 2014
Amendments to HKAS 36 Recoverable amount disclosures for non-financial assets	January 1, 2014
HK(IFRIC)-lnt 21 "Levies"	January 1, 2014
Amendments to HKAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
HKFRS 9 "Financial Instruments"	January 1, 2015
HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures"	January 1, 2015

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the Group's financial results in the initial application. The adoption of the above is not expected to have a material effect on the Group's operating results or financial position.

3.2 Subsidiaries

3.2.1 *Consolidation*

Subsidiaries are all entities (including structure entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) *Business combinations*

Except for the Reorganisation and common control combination, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) *Merger accounting for common control combination*

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of an acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or businesses are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or businesses have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

(c) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.2.2 ***Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director.

3.4 Foreign currency translation

(i) ***Functional and presentation currency***

Items included in the combined financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The combined financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined income statements.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined income statements within 'finance income or cost'. All other foreign exchange gains and losses are presented in the combined income statements within 'other gains/(losses)-net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

(iii) ***Group companies***

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each combined income statements are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined income statements during the Relevant Periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings and facilities	10–48 years
— Leasehold improvements	Shorter of remaining lease term or useful lives
— Furniture, fittings and office equipment	3–10 years
— Machinery and equipment	5–10 years
— Motor vehicles	5 years

Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) — net' in the combined income statements.

3.6 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) *Customer relationship*

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date and are amortised using the straight-line method over their estimated useful lives of 6 years.

(c) *Trademark and technology know-how*

Separately acquired trademarks and technology know-how are shown at historical cost. Trademarks and technology know-how acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and technology know-how have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and technology know-how over their estimated useful lives of 15 years.

(d) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

3.7 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.8 Financial assets

3.8.1 *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. The Group's financial assets at fair value through profit or loss refer to "investment in structured products" in the combined balance sheets (Note 11).

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'restricted cash', 'cash and cash equivalents' and 'amount due from related parties' in the combined balance sheets (Note 14, 15, 16 and 32).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

3.8.2 *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised and subsequently carried at fair value, and transaction costs are expensed and the fair value adjustments are recognised in the combined income statements. Available-for-sale financial assets are subsequently carried at fair value with the fair value adjustment recognised in equity. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the combined income statements as 'other gains/(losses)-net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the combined income statements as part of other income. Dividends on available-for-sale equity instruments are recognised in the combined income statements as part of other income when the Group's right to receive payments is established.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

3.9 Impairment of financial assets

(a) *Asset carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined income statements.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined income statements.

(b) ***Assets classified as available-for-sale***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the combined income statements on equity instruments are not reversed through the combined income statements. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the combined income statements.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The cost excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.12 Cash and cash equivalents

In the combined cash flow statements, cash and cash equivalents includes cash in hand, and deposits held at call with banks and short-term highly liquid investments with original maturity of three months or less.

3.13 Restricted cash

Restricted cash represents guaranteed deposits held in a separate reserve account to be pledged to the bank for issuance of trade facilities such as bills payable or bankers' guarantee. Such restricted cash will be released when the Group settle the related trade facilities.

3.14 Combined capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.18 Current and deferred income tax

The tax expense for the Relevant Periods comprises current and deferred tax. Tax is recognised in the combined income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) ***Deferred income tax***

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) ***Offsetting***

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.19 Employee benefits

(a) ***Pension obligations***

The full-time employees of the Group in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

(b) ***Housing benefits***

The Group contributes to the state-prescribed housing fund. Such costs are charged to the combined income statements as incurred. Apart from those described above, the Group does not have other legal or constructive obligations over such benefits.

(c) ***Bonus entitlements***

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

3.20 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's combined financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after elimination of sales made within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) ***Sales of medical devices and related products***

Sales of medical devices and related products are recognised when the risk and reward of the goods has been transferred to the customer, which is usually at the date when a Group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) ***Interest income***

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(c) ***Dividend income***

Dividend income is recognised when the right to receive payment is established.

3.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the combined income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the combined income statements on a straight-line basis over the expected useful lives of the related assets.

3.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined income statements on a straight-line basis over the period of the lease.

3.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3.25 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value and cash flow interest rate risk), credit risk, liquidity risk and price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by finance department and Chief Financial Officer (the "CFO") under policies approved by the board of directors. Group treasury identifies and evaluates in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, and non-derivative financial instruments, and investment of excess liquidity.

(a) ***Market risk***

(i) *Foreign exchange risk*

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar ("US$"). Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group does not hedge against any fluctuation in foreign currency during the Relevant Periods. management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

As at December 31, 2010, 2011, 2012 and June 30, 2012 and 2013, if US$ had strengthened/weakened by 5% against RMB with all other variables held constant, the net profit and equity would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents.

	As at December 31,			As at June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Year/period ended:					
Increase/(decrease)					
— Strengthened 5%	2,142	605	7,088	3,211	1,061
— Weakened 5%	(2,142)	(605)	(7,088)	(3,211)	(1,061)

(b) ***Cash flow and fair value interest rate risk***

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings including interest-free loan received from a related party. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash, held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risks.

The Group adjusts the proportion of fixed interest rate debts and variable interest rate debts when the market environment changed. As at December 31, 2010, 2011, 2012, and June 30, 2012, and 2013, the Group's interest-bearing debt at variable rates and fixed rates are as follows:

	As at December 31,			As at June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Debt at fixed rate	—	—	10,000	—	61,318
Debt at floating rate	—	—	20,000	—	36,000
	—	—	30,000	—	97,318

As at December 31, 2010, 2011, 2012 and June 30, 2012 and 2013, if the floating interest rate on borrowings from third parties had been higher/lower by 50 basis points, the net profit and equity would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	As at December 31,			As at June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Year/period ended:					
(Decrease)/increase					
— Strengthened 50 basis points	—	—	(20)	—	(71)
— Weakened 50 basis points	—	—	20	—	71

As at December 31, 2010, 2011, 2012 and June 30, 2012 and 2013, if the fixed interest rate on borrowings from third parties had been higher/lower by 50 basis points, the fair value would have changed mainly as a result of higher/lower interest expenses on fixed borrowings. Details of changes are as follows:

	As at December 31,			As at June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At end of year/period:					
(Decrease)/increase					
— Strengthened 50 basis points	—	—	(33)	—	(155)
— Weakened 50 basis points	—	—	40	—	192

The interest-free loan received from a related party expose the Group to fair value interest risk. The fair value of the interest-free loan are disclosed in Note 32(b).

As at December 31, 2010, 2011, 2012 and June 30, 2012 and 2013, if the interest rate on borrowings from a related party had been higher/lower by 50 basis points, the net profit, equity and fair value would have changed mainly as a result of higher/lower interest expenses on the related party borrowings. Details of changes are as follows:

	As at December 31,			As at June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net profit and equity					
Year/period ended:					
(Decrease)/increase					
— Strengthened 50 basis points. .	—	(143)	(238)	(86)	(115)
— Weakened 50 basis points . . .	—	146	241	87	117
Fair value					
Year/period ended:					
(Decrease)/increase					
— Strengthened 50 basis points. .	—	(576)	(153)	(372)	—
— Weakened 50 basis points . . .	—	583	154	375	—

(c) *Credit risk*

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and amounts due from related parties included in the Financial Information represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are the four largest state-owned commercial banks, or public listed companies. Most of the bank deposits of the Group are placed with financial commercial banks with a BBB+ or above Standard and Poor credit rating.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure the follow-up action is taken to recover overdue debts. We grant credit limits to certain customers in consideration of their payment history and business performance. Prepayment is usually required for orders placed over credit limits. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

(d) *Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities at the year end dates during the relevant periods of Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end dates during the Relevant Periods) and the earliest date the Group may required to pay.

	Within 1 year	Between 1 and 2 years	Total
	RMB'000	RMB'000	RMB'000
At December 31, 2010			
Amount due to related parties	7,034	—	7,034
Financial liabilities as included in trade and other payables	10,370	—	10,370
	17,404	—	17,404
At December 31, 2011			
Amount due to related parties	120,000	100,000	220,000
Financial liabilities as included in trade and other payables	17,845	—	17,845
	137,845	100,000	237,845
At December 31, 2012			
Amount due to related parties	110,123	—	110,123
Financial liabilities as included in trade and other payables	199,643	—	199,643
Borrowings, including interests	31,470	—	31,470
	341,236	—	341,236
At June 30, 2013			
Amount due to related parties	13,885	—	13,885
Financial liabilities as included in trade and other payables	67,572	—	67,572
Borrowings, including interests	100,905	—	100,905
Financial guarantee	4,900	—	4,900
	187,262	—	187,262

(e) ***Price risk***

The Group exposes to commodity price risk, mainly due to (i) the fluctuations in prices of metal materials, including titanium alloy and medical grade stainless steel, which are the key raw materials to the Group's products of Orthopedic Implant Business, and (ii) the fluctuations in prices of plastic, which are the key raw materials to the Group's products of its Infusion Set Business. During the Relevant Periods, the management considers the price risk exposure is not material, and the Group has the flexibility to pass the increases in raw material costs to the Group's customers.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings are current borrowings as shown in the combined balance sheets plus amounts due to related parties of non — trading nature. Total capital is calculated as 'total equity' as shown in the combined balance sheets plus total borrowings.

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	7,034	212,350	138,153	111,203
Total equity	128,526	253,248	524,701	767,811
Total capital	135,560	465,598	662,854	879,014
Gearing ratio (%)	5.19%	45.61%	20.84%	12.65%

4.3 Fair value estimation

(a) The Group adopts the amendment to HKFRS 7 for financial instruments that are measured in the combined balance sheets at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(b) ***Fair value measurements using significant unobservable inputs (level 3)***

— *Available-for-sale financial assets (Note 10)*

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At beginning of the year/period	—	—	100	100	—
Acquisition of a subsidiary *(Note 34(a))*	—	27,600	—	—	—
Disposals	—	(27,500)	(100)	—	—
At end of the year/period	—	100	—	100	—

— *Investment in structured products (Note 11)*

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At beginning of the year/period	—	—	—	—	3,000
Addition	—	—	3,000	—	—
Disposal	—	—	—	—	(3,000)
At end of the year/period	—	—	3,000	—	—

(c) ***Fair value of financial assets and liabilities measured at amortised cost***

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables;
- Deposits, prepayments and other receivables (except for prepayments);
- Cash and cash equivalents (including restricted cash);
- Trade payables;
- Other payables, accruals and other current liabilities (except for advance from customers and value added tax and other taxes);
- Borrowings.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) ***Income taxes***

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% PRC withholding tax (''WHT''). If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the Relevant Periods, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand the Group's business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each reporting period.

(b) ***Estimated write-downs of inventories***

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances are so that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying values of inventories and write-downs of inventories in the period in which such estimate has been changed.

(c) ***Impairment of trade and other receivables***

Management reviews its trade and other receivables for objective evidence of impairment. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered as objective evidence that a receivable is impaired. In determining this, management makes judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect on the market and economic environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgments as to whether an impairment loss should be recorded as an expense.

(d) ***Impairment of goodwill***

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.6(a). The recoverable amounts of cash-generating units (''CGU'') have been determined based on value-in-use calculations. These calculations require the use of estimates.

According to the valuations results produced by the management of the Company based on the assumptions as disclosed in Note 9, management considered that no impairment charge was required against goodwill arising from acquisitions during the Relevant Periods.

In the opinion of the Company's directors, regarding infusion set business or orthopedic implants business, had the gross margin been 10% lower with other assumptions held constant, or had the terminal growth rate been 1% lower with other assumptions held constant, or had the discount rate been 1% higher with other assumptions held constant, there would be no impairment charge needed to be made against goodwill of the Group for the relevant Period.

(e) ***Useful lives of property, plant and equipment***

The Group determines the estimated useful lives for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(f) ***Control the entities engaged in Orthopedic Implant Business through majority voting rights***

Ms. Liu originally owned over 50% equity interests in Orthopedic Implant Business through Cross Mark. After a series of transactions with the non-controlling interests as described in Note 33(a)(i), Ms. Liu's effective equity interests were diluted to less than 50% upon the completion of the Reorganisation. However, Ms. Liu still has the ability to control Orthopedic Implant Business through her majority voting rights, including matters relating to:

- management, especially the composition of the senior management;
- business strategies and plans;
- distribution of dividends;
- the election of the directors and supervisors.

Accordingly, these directly or indirectly owned entities engaged in Orthopedic Implant Business are regarded as subsidiaries and fully accounted for in the combined financial statements.

(g) ***Sales returns and exchange***

The Group's distribution agreements do not allow product returns or exchanges without the management's consent. However, in practice, the Group has historically accepted certain returns and exchanges by distributors of Orthopedic Implant Business. The Group believes that, based on past experience, the percentage of subsequent returns or exchange will be approximately 15% of annual orthopaedic sales. Therefore, the Group has recognised revenue with a corresponding provision against revenue for estimated returns with 15% of annual orthopaedic sales for the Relevant Periods. If the estimate had been changed by is 1% higher/lower (return rate being 16% or 14%), revenue for the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2012 and 2013 would have been reduced/increased by RMB934,000, RMB1,173,000, RMB1,410,000, RMB741,872 and RMB1,051,000, respectively.

6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive director of the Company. The executive director review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors considered the business from product perspective, and determined that the Group has the following operating segments:

— Infusion Set Business — manufacturing and sale of high-end infusion sets; and

— Orthopedic Implant Business — manufacturing and sale of orthopedic implant products, including the product category of trauma, spine and joints.

The chief operating decision-maker assesses the performance of the operating segments based on the operating profit of each segment. Substantially all of the businesses of the Group are carried out in the PRC.

(a) The segment information for the operating segments during the Relevant Periods is as follows:

Year ended December 31, 2010	**Infusion Set Business**	**Orthopedic Implant Business**	**Elimination**	**Total**
Revenue from external customers	—	60,816	—	60,816
Cost of sales	—	(16,629)	—	(16,629)
Gross profit	—	44,187	—	44,187
Selling expenses	—	(13,071)	—	(13,071)
Administrative expenses	—	(10,621)	—	(10,621)
Research and development expenses	—	(1,153)	—	(1,153)
Other gains — net	—	30	—	30
Segment profits	—	19,372	—	19,372
Finance income				38
Finance costs				(2,142)
Finance costs — net				(2,104)
Profit before tax				17,268
Segment assets	—	165,559	—	165,559
Deferred tax assets				1,408
Total assets				166,967
Segment liabilities	—	38,441	—	38,441
Other segment information				
Additions to property, plant and equipment *(Note 8)*	—	21,094	—	21,094
Amortisation of land use right *(Note 7)*	—	60	—	60
Depreciation of property, plant and equipment *(Note 8)*	—	2,353	—	2,353
Amortisation of intangible assets *(Note 9)*	—	24	—	24

Year ended December 31, 2011	Infusion Set Business	Orthopedic Implant Business	Elimination	Total
Revenue from external customers	99,888	75,379	—	175,267
Cost of sales	(45,692)	(20,458)	—	(66,150)
Gross profit	54,196	54,921	—	109,117
Selling expenses	(5,020)	(18,385)	—	(23,405)
Administrative expenses	(5,903)	(11,805)	—	(17,708)
Research and development expenses	(4,812)	(2,252)	—	(7,064)
Other gains — net	824	42	—	866
Segment profits	39,285	22,521	—	61,806
Finance income				201
Finance costs				(4,679)
Finance costs — net				(4,478)
Profit before tax				57,328
Segment assets	358,933	179,220	—	538,153
Deferred tax assets				4,007
Total assets				542,160
Segment liabilities	243,091	35,160	—	278,251
Deferred tax liabilities				10,661
Total liabilities				288,912
Other segment information				
Additions to property, plant and equipment *(Note 8)*	6,733	15,710	—	22,443
Amortisation of land use right *(Note 7)*	—	60	—	60
Depreciation of property, plant and equipment *(Note 8)*	5,674	3,806	—	9,480
Amortisation of intangible assets *(Note 9)*	2,699	24	—	2,723

Year ended December 31, 2012	Infusion Set Business	Orthopedic Implant Business	Elimination	Total
Revenue from external customers	233,974	97,567	—	331,541
Cost of sales	(88,808)	(23,886)	—	(112,694)
Gross profit	145,166	73,681	—	218,847
Selling expenses	(28,804)	(18,017)	—	(46,821)
Administrative expenses	(18,952)	(16,651)	—	(35,603)
Research and development expenses	(7,115)	(2,397)	—	(9,512)
Other gains — net	610	960	—	1,570
Segment profits	90,905	37,576	—	128,481
Finance income				329
Finance costs				(9,089)
Finance costs — net				(8,760)
Profit before tax				119,721
Segment assets	554,397	361,170	(179)	915,388
Deferred tax assets				5,925
Total assets				921,313
Segment liabilities	327,796	60,606	(179)	388,223
Deferred tax liabilities				8,389
Total liabilities				396,612
Other segment information				
Additions to property, plant and equipment *(Note 8)*	11,655	13,677	—	25,332
Amortisation of land use right *(Note 7)*	359	60	—	419
Depreciation of property, plant and equipment *(Note 8)*	8,882	4,559	—	13,441
Amortisation of intangible assets *(Note 9)*	4,048	24	—	4,072

Six months ended June 30, 2012	Infusion Set Business	Orthopedic Implant Business	Elimination	Total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	100,205	45,568	—	145,773
Cost of sales	(42,663)	(11,858)	—	(54,521)
Gross profit	57,542	33,710	—	91,252
Selling expenses	(10,374)	(7,526)	—	(17,900)
Administrative expenses	(5,902)	(8,766)	—	(14,668)
Research and development expenses	(3,780)	(871)	—	(4,651)
Other gains — net	758	929	—	1,687
Segment profits	38,244	17,476	—	55,720
Finance income				71
Finance costs				(3,377)
Finance costs — net				(3,306)
Profit before tax				52,414
Segment assets	399,804	211,614	—	611,418
Deferred tax assets				6,599
Total assets				618,017
Segment liabilities	256,457	38,716	—	295,173
Deferred tax liabilities				8,937
Total liabilities				304,110
Other segment information				
Additions to property, plant and equipment *(Note 8)*	5,372	4,475	—	9,847
Amortisation of land use right *(Note 7)*	51	30	—	81
Depreciation of property, plant and equipment *(Note 8)*	4,602	2,143	—	6,745
Amortisation of intangible assets (Note 9)	2,024	12	—	2,036

Six months ended June 30, 2013	Infusion Set Business	Orthopedic Implant Business	Elimination	Total
Revenue from external customers	147,057	71,693	—	218,750
Cost of sales	(49,882)	(21,478)	—	(71,360)
Gross profit	97,175	50,215	—	147,390
Selling expenses	(20,372)	(8,170)	—	(28,542)
Administrative expenses	(16,984)	(16,288)	—	(33,272)
Research and development expenses	(3,044)	(3,570)	—	(6,614)
Other (losses)/gains — net	(163)	414	—	251
Segment profits	56,612	22,601	—	79,213
Finance income				247
Finance costs				(5,116)
Finance costs — net				(4,869)
Profit before tax				74,344
Segment assets	587,788	419,879	—	1,007,667
Deferred tax assets				6,957
Total assets				1,014,624
Segment liabilities	169,906	60,229	—	230,135
Deferred tax liabilities				16,678
Total liabilities				246,813
Other segment information				
Additions to property, plant and equipment *(Note 8)*	23,815	26,509	—	50,324
Amortisation of land use right *(Note 7)*	369	30	—	399
Depreciation of property, plant and equipment *(Note 8)*	3,918	2,931	—	6,849
Amortisation of intangible assets *(Note 9)*	2,025	401	—	2,426

(b) Concentration of customers

During the Relevant Periods, revenue derived from sales made to one individual external customer amounted to 10% or more of the Group's total revenue. These revenues were in the Infusion Set Business segment. The revenue attributed from the customer is as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Infusion Set Business customer					
Fert Medical Device Co., Ltd. . . .	—	78,291	141,624	73,638	31,847

The trade receivable due from Fert Medical Device Co., Ltd. ("Fert Device") as at December 31, 2010, 2011, 2012 and June 30, 2013 are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Infusion Set Business customer				
Fert Device.	—	21,971	33,117	36,554

(c) Geographical segment information

The Group's operations, assets and most of the customers are located in the PRC. Accordingly, no geographical analysis of revenue, non-current assets and customers is presented.

7 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC, the net book values of which are analysed as follows:

	As at December 31,			As at June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
In the PRC, held on:					
Leases of between 47 to 50 years	2,732	2,672	31,161	31,499	52,237

	As at December 31,			As at June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening net book amount	2,792	2,732	2,672	2,672	31,161
Acquisition of subsidiaries *(Note 34(d))*	—	—	—	—	9,410
Additions	—	—	28,908	28,908	12,065
Amortisation charge *(Note 24)*	(60)	(60)	(419)	(81)	(399)
Closing net book amount:	2,732	2,672	31,161	31,499	52,237
Cost	3,002	3,002	31,910	31,910	53,385
Accumulated amortisation	(270)	(330)	(749)	(411)	(1,148)
	2,732	2,672	31,161	31,499	52,237

As at June 30, 2013, the Group is still in the process of applying for the ownership certificates of certain land with the aggregated carrying amounts amounted to RMB14,987,000.

Amortisation of land use right has been charged to the combined income statements as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of sales	34	34	239	34	249
Administrative expenses	26	26	180	47	150
	60	60	419	81	399

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities	Leasehold improvements	Furniture, fittings and office equipment	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2010							
Cost	12,914	456	952	8,048	929	5,969	29,268
Accumulated depreciation	(367)	—	(421)	(1,295)	(191)	—	(2,274)
Net book amount	12,547	456	531	6,753	738	5,969	26,994
Year ended December 31, 2010							
Opening net book amount	12,547	456	531	6,753	738	5,969	26,994
Additions	—	92	284	12,263	726	7,729	21,094
Transfer	1,108	—	—	138	—	(1,246)	—
Depreciation *(Note 24)*	(586)	(192)	(194)	(1,132)	(249)	—	(2,353)
Closing net book amount	13,069	356	621	18,022	1,215	12,452	45,735
At December 31, 2010							
Cost	14,022	548	1,236	20,449	1,655	12,452	50,362
Accumulated depreciation	(953)	(192)	(615)	(2,427)	(440)	—	(4,627)
Net book amount	13,069	356	621	18,022	1,215	12,452	45,735
Year ended December 31, 2011							
Opening net book amount	13,069	356	621	18,022	1,215	12,452	45,735
Additions	1,281	201	1,221	5,485	933	13,322	22,443
Acquisition of a subsidiary *(Note 34(a))*	25,313	403	766	18,974	791	—	46,247
Transfer	2,470	—	—	—	—	(2,470)	—
Depreciation *(Note 24)*	(2,218)	(536)	(425)	(5,793)	(508)	—	(9,480)
Closing net book amount	39,915	424	2,183	36,688	2,431	23,304	104,945
At December 31, 2011							
Cost	43,086	1,152	3,223	44,908	3,379	23,304	119,052
Accumulated depreciation	(3,171)	(728)	(1,040)	(8,220)	(948)	—	(14,107)
Net book amount	39,915	424	2,183	36,688	2,431	23,304	104,945

	Buildings and facilities	Leasehold improvements	Furniture, fittings and office equipment	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2012							
Opening net book amount	39,915	424	2,183	36,688	2,431	23,304	104,945
Additions	—	5,382	1,668	10,308	2,548	5,426	25,332
Acquisition of a subsidiary *(Note 34(b))*	—	496	174	1,130	—	—	1,800
Transfer	24,621	1,136	—	—	—	(25,757)	—
Disposals	—	—	(7)	(3,452)	—	—	(3,459)
Depreciation *(Note 24)*	(3,636)	(404)	(830)	(7,606)	(965)	—	(13,441)
Closing net book amount	60,900	7,034	3,188	37,068	4,014	2,973	115,177
At December 31, 2012							
Cost	67,707	8,166	4,839	44,755	5,927	2,973	134,367
Accumulated depreciation	(6,807)	(1,132)	(1,651)	(7,687)	(1,913)	—	(19,190)
Net book amount	60,900	7,034	3,188	37,068	4,014	2,973	115,177
Six months ended June 30, 2013							
Opening net book amount	60,900	7,034	3,188	37,068	4,014	2,973	115,177
Additions	—	406	2,235	8,364	611	38,708	50,324
Acquisition of subsidiaries *(Note 34(c) and (d))*	15,209	—	127	3,635	60	—	19,031
Transfer	774	9,585	—	2,312	—	(12,671)	—
Disposals	(3,278)	—	—	—	(18)	—	(3,296)
Depreciation *(Note 24)*	(2,413)	(454)	(588)	(2,787)	(607)	—	(6,849)
Closing net book amount	71,192	16,571	4,962	48,592	4,060	29,010	174,387
At June 30, 2013							
Cost	79,411	18,157	7,188	59,066	6,344	29,010	199,176
Accumulated depreciation	(8,219)	(1,586)	(2,226)	(10,474)	(2,284)	—	(24,789)
Net book amount	71,192	16,571	4,962	48,592	4,060	29,010	174,387
(Unaudited)							
Six months ended June 30, 2012							
Opening net book amount	39,915	424	2,183	36,688	2,431	23,304	104,945
Additions	3,152	—	576	4,182	1,434	503	9,847
Acquisition of subsidiaries *(Note 34(b))*	—	496	211	1,093	—	—	1,800
Disposals	—	—	—	(37)	—	—	(37)
Depreciation *(Note 24)*	(1,784)	(238)	(474)	(3,838)	(411)	—	(6,745)
Closing net book amount	41,283	682	2,496	38,088	3,454	23,807	109,810

	Buildings and facilities	Leasehold improvements	Furniture, fittings and office equipment	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2012							
Cost	46,238	1,372	4,010	50,145	4,813	23,807	130,385
Accumulated depreciation	(4,955)	(690)	(1,514)	(12,057)	(1,359)	—	(20,575)
Net book amount	41,283	682	2,496	38,088	3,454	23,807	109,810

As at December 31, 2010, 2011, 2012 and June 30, 2013, the Group is still in the process of applying for the building ownership certificates of certain buildings with the aggregated carrying amounts amounted to RMB12,433,000, RMB26,573,000, RMB46,587,000 and RMB55,268,000, respectively.

Depreciation of property, plant and equipment has been charged to the combined income statements as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of sales	1,390	7,446	10,504	5,374	5,341
Administrative expenses	151	711	1,450	1,138	1,183
Selling and marketing expenses	812	1,277	1,450	217	319
Research and development expenses	—	46	37	16	6
	2,353	9,480	13,441	6,745	6,849

As at December 31, 2012 and June 30, 2013, certain buildings with the carrying amount of RMB34,017,000 and RMB33,166,000 were pledged for the Group's borrowings (Note 20).

The Group has capitalised borrowing costs on qualifying assets as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Capitalised borrowing costs	—	—	—	—	525

Borrowing costs were capitalised at the weighted average rate of its general borrowings of 7%.

9 INTANGIBLE ASSETS

	Goodwill	Computer software	Trademark	Technology know-how	Customer relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2010						
Cost	—	118	—	—	—	118
Accumulated amortisation	—	(27)	—	—	—	(27)
Net book amount	—	91	—	—	—	91
Year ended December 31, 2010						
Opening net book amount	—	91	—	—	—	91
Amortisation charge *(Note 24)*	—	(24)	—	—	—	(24)
Closing net book amount	—	67	—	—	—	67
At December 31, 2010						
Cost	—	118	—	—	—	118
Accumulated amortisation	—	(51)	—	—	—	(51)
Net book amount	—	67	—	—	—	67
Year ended December 31, 2011						
Opening net book amount	—	67	—	—	—	67
Additions	—	3	—	—	—	3
Acquisition of a subsidiary *(Note 34(a))*	148,018	—	11,755	36,440	5,012	201,225
Amortisation charge *(Note 24)*	—	(24)	(522)	(1,620)	(557)	(2,723)
Closing net book amount	148,018	46	11,233	34,820	4,455	198,572
At December 31, 2011						
Cost	148, 018	121	11,755	36,440	5,012	201,346
Accumulated amortisation	—	(75)	(522)	(1,620)	(557)	(2,774)
Net book amount	148,018	46	11,233	34,820	4,455	198,572

	Goodwill	Computer software	Trademark	Technology know-how	Customer relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2012						
Opening net book amount	148,018	46	11,233	34,820	4,455	198,572
Acquisition of a subsidiary *(Note 34(b))*	12,831	—	—	—	—	12,831
Amortisation charge *(Note 24)*	—	(24)	(784)	(2,429)	(835)	(4,072)
Closing net book amount	160,849	22	10,449	32,391	3,620	207,331
At December 31, 2012						
Cost	160,849	121	11,755	36,440	5,012	214,177
Accumulated amortisation	—	(99)	(1,306)	(4,049)	(1,392)	(6,846)
Net book amount	160,849	22	10,449	32,391	3,620	207,331
Six months ended June 30, 2013						
Opening net book amount	160,849	22	10,449	32,391	3,620	207,331
Acquisition of subsidiaries *(Note 34(c) and (d))*	101,709	—	—	13,903	—	115,612
Additions	—	71	—	—	—	71
Amortisation charge *(Note 24)*	—	(14)	(392)	(1,602)	(418)	(2,426)
Closing net book amount	262,558	79	10,057	44,692	3,202	320,588
At June 30, 2013						
Cost	262,558	192	11,755	50,343	5,012	329,860
Accumulated amortisation	—	(113)	(1,698)	(5,651)	(1,810)	(9,272)
Net book amount	262,558	79	10,057	44,692	3,202	320,588
(Unaudited)						
Six months ended June 30, 2012						
Opening net book amount	148,018	46	11,233	34,820	4,455	198,572
Acquisition of a subsidiary *(Note 34(b))*	12,831	—	—	—	—	12,831
Amortisation charge *(Note 24)*	—	(11)	(392)	(1,215)	(418)	(2,036)
Closing net book amount	160,849	35	10,841	33,605	4,037	209,367
At June 30, 2012						
Cost	160,849	121	11,755	36,440	5,012	214,177
Accumulated amortisation	—	(86)	(914)	(2,835)	(975)	(4,810)
Net book amount	160,849	35	10,841	33,605	4,037	209,367

Amortisation of Intangible assets has been charged to the combined income statements as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of sales	—	1,620	2,429	1,214	1,602
Administrative expenses	24	24	24	12	14
Selling expenses	—	1,079	1,619	810	810
	24	2,723	4,072	2,036	2,426

Impairment tests for goodwill

Goodwill acquired through business combinations has been primarily allocated to the Infusion Set Business and Orthopedic Implant Business as below:

	Infusion Set Business	Orthopedic Implants Business	Total
	RMB'000	RMB'000	RMB'000
As at December 31, 2010	—	—	—
As at December 31, 2011	148,018	—	148,018
As at December 31, 2012	148,018	12,831	160,849
As at June 30, 2013	160,754	101,804	262,558

Goodwill is monitored by the management at the operating segment level.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the businesses in which the CGU operates.

The key assumptions used for value-in-use calculations as at December 31, 2011 and 2012 and June 30, 2013 are as follows:

	Infusion Set Business			Orthopedic Implant Business		
	As at December 31		June 30	As at December 31		June 30
	2011	2012	2013	2011	2012	2013
Gross margin	60.0%	60.0%	60.0%	n.a	70.0%	70.0%
Terminal growth rate for free cash flow	2.5%	2.5%	2.5%	n.a	2.5%	2.5%
Discount rate	17.9%	17.9%	17.6%	n.a	17.9%	17.6%

These assumptions have been used for the analysis of the CGU within the operating segment.

Management determined budgeted gross margin based on past performance and its expectations of market development, taking into consideration of the Group's specific synergies and reflecting the Group's strategy and intention in operating the business. The discount rates used are pre-tax and reflect specific risks relating to the operating segment.

Management does not foresee any significant change in the key assumptions used in the value-in-use calculation that will cause the recoverable amount of goodwill to be less than its carrying amount.

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At beginning of the year/period	—	—	100	100	—
Acquisition of a subsidiary *(Note 34(a))*	—	27,600	—	—	—
Disposals	—	(27,500)	(100)	—	—
At end of the year/period	—	100	—	100	—

Available-for-sale financial assets as at December 31, 2011 represent the 10% equity interests in Fert Device, of which the Group has neither control nor significant influence.

The Group acquired 55.625% equity interests in Fert Technology through PWM Beijing on April 30, 2011 (Note 34(a)). Upon completion of the acquisition, 10% equity interests of Fert Device was held by PWM Beijing, a then wholly owned subsidiary, and 50% equity interests of Fert Device was held by Fert Technology. The Group has no intention to operate Fert Device and has a view to dispose of its equity interests before the acquisition. Accordingly, the Group's equity interests in Fert Device were classified as available-for-sale financial assets on the acquisition date. The 50% equity interests of Fert Device held by Fert Technology was subsequently disposed to an independent third party on July 15, 2011. The remaining 10% equity interests in Fert Device held by PWM Beijing was subsequently disposed to an independent third party during the year ended December 31, 2012.

11 INVESTMENT IN STRUCTURED PRODUCTS

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	—	—	—	3,000
Addition	—	—	3,000	—
Disposal	—	—	—	(3,000)
At end of the year/period	—	—	3,000	—

The investment in structured products is interests in a wealth management product managed by a high credit listed commercial bank in PRC. The investment in structured products is classified as financial assets at fair value through profit and loss. The investment in structure products was acquired by the Group in November 2012 and subsequently disposed in May 2013. The interest income earned was recorded in finance income with the amount of RMB31,000 (Note 26).

12 LONG-TERM PREPAYMENTS

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for property, plant and equipment	6,444	3,988	16,695	20,499
Prepayments for land use rights	—	17,000	—	—
Prepayments for acquisition of subsidiaries *(i)*	—	18,000	82,000	—
Prepayments for capital contribution to set up a subsidiary	—	—	10,000	—
Others	—	265	309	277
	6,444	39,253	109,004	20,776

(i) As at December 31, 2011 and 2012, prepayments for acquisition of subsidiaries represent prepayments for acquisition of Tianjin Renli Orthopedic Appliances Company Limited ("Tianjin Renli") (Note 34(b)) and Shenzhen Bone Medical Device Co., Ltd. ("Shenzhen Bone") (Note 34(c)), respectively.

13 INVENTORIES

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	3,826	14,946	21,604	25,075
Work in progress	1,644	10,080	14,930	26,763
Finished goods	9,975	29,676	36,460	24,871
	15,445	54,702	72,994	76,709

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB5,261,000, RMB29,364,000, RMB59,155,000, RMB26,958,000 and RMB31,568,000 for the years ended December 31, 2010, 2011, 2012 and for the six months ended June 30, 2012 and 2013, respectively.

As at December 31, 2010, 2011, 2012 and June 30, 2013, the ageing analysis of the inventories are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 12 months	11,510	48,559	63,366	64,656
1 year to 2 years	3,863	4,084	4,262	6,113
Over 2 years	72	2,059	5,366	5,940
	15,445	54,702	72,994	76,709

Movements on the Group's provision for impairment of inventories are as follows:

	Year ended December 31,			As at June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At beginning of the year/period	3,102	4,804	6,204	6,204	7,528
Provision for impairment of inventories *(Note 24)*	1,702	1,400	1,324	660	1,382
At end of the year/period	4,804	6,204	7,528	6,864	8,910

14 TRADE AND OTHER RECEIVABLES

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (a)	24,707	61,779	135,805	198,328
Less: provision for impairment	(1,703)	(2,767)	(4,569)	(9,298)
Trade receivables — net	23,004	59,012	131,236	189,030
Bills receivable (b)	1,255	4,759	9,096	1,156
Prepayments	3,293	1,614	11,623	13,609
Other receivables (c)	3,033	3,382	9,248	10,279
	30,585	68,767	161,203	214,074

As at December 31, 2010, 2011, 2012 and June 30, 2013, except for the prepayments which are not financial assets, the fair value of the trade and other receivables approximated its carrying amounts. As at December 31, 2010, 2011, 2012 and June 30, 2013, the carrying amount of the trade and other receivables is denominated in RMB.

(a) As at December 31, 2010, 2011, 2012 and June 30, 2013, the ageing analysis of the trade receivables based on invoice date are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	9,057	28,792	84,698	103,610
3 to 6 months	4,867	11,397	18,951	46,858
6 months to 12 months	6,633	12,051	20,766	23,381
1 year to 2 years	2,447	5,752	5,869	14,985
2 years to 3 years	—	1,020	952	196
	23,004	59,012	131,236	189,030

The credit terms agreed with customers were within 180 days. No interests are charged on the trade receivables. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sales of the goods. This provision has been determined by reference to past collection experience. As at December 31, 2010, 2011, 2012 and June 30, 2013, trade receivables of RMB9,080,000, RMB18,823,000, RMB27,587,000 and RMB25,520,000 were past due but not impaired, respectively. These relate to a number of independent customers for whom there is no significant financial difficulty based on the past experience, the overdue amounts can be fully recovered. The ageing of the past due but not impaired trade receivables are as follows:

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 12 months	6,633	12,051	20,766	23,381
1 year to 2 years	2,447	5,752	5,869	1,943
2 years to 3 years	—	1,020	952	196
	9,080	18,823	27,587	25,520

As of December 31, 2010, 2011, 2012 and June 30, 2013, trade receivables of RMB1,703,000, RMB2,767,000, RMB4,569,000 and RMB9,298,000 were past due and impaired, respectively. The impairment provision was RMB1,703,000, RMB2,767,000, RMB4,569,000 and RMB9,298,000 as at December 31, 2010, 2011, 2012 and June 30, 2013, respectively. It was assessed that a portion of the receivables is expected to be recovered. The individually impaired receivables mainly relate to certain customers, which are in unexpected difficult economic situations.

Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended December 31,			As at June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
At beginning of the year/period	—	1,703	2,767	2,767	4,569
Provision for impairment of receivables *(Note 24)*	1,703	1,064	1,802	1,254	4,729
At end of the year/period	1,703	2,767	4,569	4,021	9,298

(b) The ageing of bills receivable is within 180 days, which is within the credit term.

(c) The breakdown of other receivables is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Receivables due from Fert Device	—	—	4,000	—
Advances to employees	1,509	1,581	3,001	4,199
Deposits	1,440	1,461	1,452	2,190
Deferred listing expenses	—	—	—	2,507
Others	84	340	795	1,383
	3,033	3,382	9,248	10,279

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Company

	As at December 31,		As at June 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deferred listing expenses	—	—	2,507
Others	1	24	28
	1	24	2,535

15 RESTRICTED CASH

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted bank deposit	11	—	2,657	4,158

The restricted cash represents guaranteed deposits held in a separate reserve account to be pledged to the bank for issuance of trade facilities such as bills payable or as security deposits under bank borrowing agreements (Note 20). The carrying amount of the restricted cash is denominated in RMB.

16 CASH AND CASH EQUIVALENTS

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	24	45	165	333
Cash at banks	62,726	61,097	212,301	141,859
	62,750	61,142	212,466	142,192

The carrying amount of the cash and cash equivalents are denominated in the following currencies:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	8,699	48,630	70,101	118,592
US$	54,051	12,512	142,365	23,600
	62,750	61,142	212,466	142,192

All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank at floating bank deposit rates.

The conversion of RMB into foreign currencies for the purpose of dividends is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Company

	As at December 31,		As at June 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash at banks	—	106,055	4,488

The carrying amount of the cash and cash equivalents are denominated in US$.

17 COMBINED CAPITAL, SHARE CAPITAL OF THE COMPANY AND SHARE PREMIUM

Group

The combined capital represents the aggregated share capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

Company

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary share	Share premium	Total
		US$'000	RMB'000	RMB'000	RMB'000
Authorised:					
Ordinary shares of US$1 each *(a)*	50,000	50	315	—	315
Ordinary shares of US$0.0001 each, subsequent to share split *(c)*	500,000,000	50	315	—	315
Balance at January 1, 2011.	—	—	—	—	—
Ordinary shares of US$1 each issued and allotted upon incorporation in the Cayman Islands *(b)*	100	0.1	1	—	1
Balance at December 31, 2011 and 2012	100	0.1	1	—	1
Balance at January 1, 2013.	100	0.1	1	—	1
Share split *(c)*.	999,900	—	—	—	—
Issuance of ordinary shares *(d)*	71,615,675	7.2	45	555,987	556,032
Balance at June 30, 2013	72,615,675	7.3	46	555,987	556,033

(a) The Company was incorporated in the Cayman Islands on May 13, 2011 with an authorised capital of US$ 50,000 divided into 50,000 shares of a nominal value of US$1 each. Since the Company had not been legally incorporated as at December 31, 2010, there was no combined capital presented as at December 31, 2010.

(b) Upon the incorporation of the Company, 100 ordinary shares of a nominal value of US$1 each were issued to its shareholder, Cross Mark, at cash consideration of US$100 (equivalent to approximately RMB1,000).

(c) On January 22, 2013, the board of directors of the Company approved a share split of the Company's combined capital at a ratio of 1 to 10,000. Immediately after this split, the Company re-classified authorised capital into 500,000,000 ordinary shares of par value of 0.0001 each.

(d) During the period from February 4, 2013 to May 29, 2013, pursuant to the written resolutions of all the shareholders of the Company, the Company issued 71,615,675 shares with a nominal value of US$0.0001 each to its existing shareholders. Among these 71,615,675 shares, 37,000,000 shares were subscribed for at a total cash consideration of US$37,000,000 (equivalent to RMB233,930,000). The cash contribution of US$37,000,000 (equivalent to RMB233,930,000) was received before December 31, 2012 and recorded as other reserves as at December 31, 2012. On February 4, 2013, upon the issuance of the shares, such other servers were transferred to combined capital and share premium. The other 34,615,675 shares were subscribed for at a total cash consideration of US$52,737,000 (equivalent to RMB322,102,000) received during the six months ended June 30, 2013. The newly issued shares have the same characteristics with those previously issued.

18 OTHER RESERVES

Group

	Other Reserves			
	Merger Reserve *(i)*	Translation Reserve	Capital reserve *(ii)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2010	7,766	—	—	7,766
Currency translation differences	—	2,410	—	2,410
Capital contributions to subsidiaries by their then equity owners and the non-controlling interests	4,443	—	—	4,443
Changes in ownership interests in subsidiaries without change of control *(Note 33(a)(i))*	—	—	19,471	19,471
Balance at December 31, 2010	12,209	2,410	19,471	34,090
Currency translation differences	—	(408)	—	(408)
Difference between the carrying amount and undiscounted amount of interest-free loan received from a related party, net of tax *(Note 32(b))*	—	—	8,439	8,439
Capital contributions to subsidiaries by their then equity owners and the non-controlling interests	9,750	—	—	9,750
Balance at December 31, 2011	21,959	2,002	27,910	51,871
Currency translation differences	—	423	—	423
Capital contributions by their then equity owners	285,685	—	—	285,685
Changes in ownership interests in subsidiaries without change of control — introduction of certain financial investors *(Note 33 (a)(ii))*	—	—	6,428	6,428
Changes in ownership interests in subsidiaries without change of control -acquiring additional interests *(Note 33 (b))*	—	—	(69,637)	(69,637)
Consideration paid to the then equity owners and the non-controlling interests for acquisition of a subsidiary under common control	(9,750)	—	(2)	(9,752)
Balance at December 31, 2012	297,894	2,425	(35,301)	265,018
Currency translation differences	—	1,418	—	1,418
Changes in ownership interests in subsidiaries without change of control -acquiring additional interests *(Note 33 (c) and (d))*	—	—	(48,656)	(48,656)
Issuance of shares by way of capitalisation of other reserves *(Note17(d))*	(233,930)	—	—	(233,930)
Balance at June 30, 2013	63,964	3,843	(83,957)	(16,150)
(Unaudited)				
Six month ended June 30, 2012				
Opening book amount	21,959	2,002	27,910	51,871
Currency translation differences	—	347	—	347
Consideration paid to the then equity owners and the non-controlling interests for acquisition of a subsidiary under common control	(9,750)	—	(2)	(9,752)
Closing book amount	12,209	2,349	27,908	42,466

(i) The Company was incorporated during the year ended December 31, 2011 and the Reorganisation was not completed prior to December 31, 2012. The merger reserve represents: (1) the total consideration paid for the acquisition of subsidiaries under common control upon the Reorganisation; and (2) the cash contribution to the Group by the then equity owners.

(ii) Capital reserve mainly represents the differences between the considerations paid/received and the relevant carrying value of the net assets of the subsidiaries acquired/disposed of for the transactions with non-controlling interests (Note 33), and the difference between the carrying amount and undiscounted amount of interest-free loan received from a related party, net of tax.

Company

As at December 31, 2012, the existing shareholders made cash contribution to subscribe for 37,000,000 shares of the company at a consideration of US$37,000,000 (equivalent to RMB233,930,000). The amount was included, as "other reserves" which was transferred to share premium and combined capital accounts when the existing shares were issued on February 4, 2013.

19 TRADE AND OTHER PAYABLES

Group

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade payables	3,883	14,678	16,014	24,395
Salary and staff welfare payables	2,964	16,525	18,341	15,087
Advances from customers	10,487	20,222	20,561	13,785
Interest payables	—	—	160	644
Consideration payable for transaction with non-controlling interests *(Note 33(b))*	—	—	180,000	—
Consideration payable for transaction with non-controlling interests *(Note 33(c))*	—	—	—	10,000
Consideration payable for acquisition of a subsidiary *(Note 34(d))*	—	—	—	10,400
Value added tax and other taxes	4,032	5,810	4,170	8,691
Deposits	—	137	721	1,102
Payables for purchase of land use rights	—	—	1,000	9,981
Bills payable	—	—	230	1,027
Accrued listing expenses	—	—	—	7,025
Other payables	6,487	3,030	1,518	2,998
	27,853	60,402	242,715	105,135

As at December 31, 2010, 2011, 2012 and June 30, 2013, except for the advance from customers which are not financial liabilities, all trade and other payables of the Group were non-interest bearing, and their fair value approximate their carrying amounts due to their short maturities.

At December 31, 2010, 2011, 2012 and June 30, 2013, the ageing analysis of the trade payables based on invoice date are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	2,287	10,937	13,741	20,286
3 to 6 months	685	1,359	310	1,065
6 months to 12 months	394	30	40	1,941
1 year to 2 years	517	514	582	335
2 years to 3 years	—	88	50	325
Over 3 years	—	1,750	1,291	443
	3,883	14,678	16,014	24,395

The ageing of bills payable is within 180 days, which is within the credit term.

All of the carrying amounts of the Group's trade payables are denominated in RMB.

Company

	As at December 31,		As at June 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Accrued listing expenses	—	—	7,025
Others	9	23	9
	9	23	7,034

20 BORROWINGS

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current bank borrowings — secured/guaranteed *(a)*	—	—	30,000	51,000
— entrusted loan *(b)*	—	—	—	36,418
— unsecured	—	—	—	9,900
	—	—	30,000	97,318

(a) The details of the secured/guaranteed borrowings are as follows:

	Borrowings	
	As at December 31, 2012	As at June 30, 2013
	RMB'000	RMB'000
Secured by the pledge of buildings with an aggregate carrying amount of RMB6,595,000 at December 31, 2012 and RMB6,430,000 at June 30, 2013	10,000	15,000
Jointly guaranteed by Wu Dong, a senior management of the Group, and his family member and subsequently released in August 2013	—	4,000
Secured by the pledge of buildings with an aggregate carrying amount of RMB26,736,000, and Jointly guaranteed by Zhang Wendong, a family member of Ms Liu, and his family member and expected to be released prior to Listing, and Pledged by the Group's restricted cash with the amount of RMB2,800,000	—	14,000
Secured by the pledge of buildings with an aggregate carrying amount of RMB27,422,000 at December 31, 2012 and RMB26,736,000 at June 30, 2013, and Guaranteed by Fert Device and subsequently released in September 2013, and Jointly guaranteed by Zhang Wendong, a family member of Ms Liu, and his family member and subsequently released in September 2013	20,000	18,000
	30,000	51,000

(b) On May 15, 2013, PWM Beijing, one of the Group's subsidiaries, entered into an entrusted loan agreement to borrow from Beijing Hui Da Tong Li Medical Equipment Co, Ltd. (北京惠達通利醫療器械有限公司), an independent third party, through a domestic commercial bank. The entrusted loan is unsecured and will be due within one year.

All of the Group's borrowings are denominated in RMB.

The maturity of the borrowings is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
On demand or within 1 year	—	—	30,000	97,318

The weighted average effective interest rates at each balance sheet date were as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Current bank borrowings	—	—	7%	7%

The fair value of the borrowings approximates their carrying amount, as the impact of discounting is not significant.

21 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. The net deferred income tax balance after offsetting is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
— Deferred tax asset to be recovered after more than 12 months	—	150	150	150
— Deferred tax asset to be recovered within 12 months	1,408	3,857	5,775	6,807
	1,408	4,007	5,925	6,957
Deferred tax liabilities:				
— Deferred tax liability to be recovered after more than 12 months	—	(8,749)	(7,897)	(16,678)
— Deferred tax liability to be recovered within 12 months	—	(1,912)	(492)	—
	—	(10,661)	(8,389)	(16,678)
Deferred tax assets/(liabilities) — net	1,408	(6,654)	(2,464)	(9,721)

Movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provision for impairment of receivables	Write-down of inventories to the realisable value	Salary and staff welfare payable	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2010	—	465	266	—	731
Credited to combined income statements	255	255	147	20	677
At December 31, 2010	255	720	413	20	1,408
At January 1, 2011	255	720	413	20	1,408
Credited to combined income statements	160	210	837	37	1,244
Acquisition of a subsidiary *(Note 34 (a))*	—	—	1,204	151	1,355
At December 31, 2011	415	930	2,454	208	4,007
At January 1, 2012	415	930	2,454	208	4,007
Credited to combined income statements	270	199	51	151	671
Acquisition of a subsidiary *(Note 34 (b))*	351	878	17	1	1,247
At December 31, 2012	1,036	2,007	2,522	360	5,925
At January 1, 2013	1,036	2,007	2,522	360	5,925
Credited to/(charged to) combined income statements	709	207	(1,844)	663	(265)
Acquisition of a subsidiary *(Note 34 (c))*	—	1,297	—	—	1,297
At June 30, 2013	1,745	3,511	678	1,023	6,957
(Unaudited)					
At January 1, 2012	415	930	2,454	208	4,007
Credited to/(charged to) combined income statements	188	99	(203)	1,261	1,345
Acquisition of a subsidiary *(Note 34 (b))*	351	878	17	1	1,247
At June 30, 2012	954	1,907	2,268	1,470	6,599

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets for tax losses carried forward with the amount of RMB64,000, RMB312,000, RMB266,000 and RMB1,372,000 as at December 31, 2010, 2011, 2012 and June 30, 2013. These tax losses will be expired in 2013 to 2018.

Deferred tax liabilities

	Fair value surplus arising from acquisition of subsidiaries	Deferred tax liabilities arising from the difference between the carrying amount and undiscounted amount of interest-free loan received from a related party	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2010 and December 31, 2010	—	—	—
At January 1, 2011	—	—	—
Acquisition of a subsidiary *(Note 34 (a))*	(9,995)	—	(9,995)
Charged directly to equity	—	(2,813)	(2,813)
Credited to combined income statements	1,247	900	2,147
At December 31, 2011	(8,748)	(1,913)	(10,661)
At January 1, 2012	(8,748)	(1,913)	(10,661)
Acquisition of a subsidiary *(Note 34 (b))*	(61)	—	(61)
Credited to combined income statements	912	1,421	2,333
At December 31, 2012	(7,897)	(492)	(8,389)
At January 1, 2013	(7,897)	(492)	(8,389)
Acquisition of subsidiaries *(Note 34 (c) and (d))*	(9,289)	—	(9,289)
Credited to combined income statements	508	492	1,000
At June 30, 2013	(16,678)	—	(16,678)
(Unaudited)			
At January 1, 2012	(8,748)	(1,913)	(10,661)
Acquisition of a subsidiary *(Note 34 (b))*	(61)	—	(61)
Credited to combined income statements	1,085	700	1,785
At June 30, 2012	(7,724)	(1,213)	(8,937)

22 DEFERRED INCOME

Deferred income represents government grants relating to acquisition of property, planted equipment. These government grants are deferred and recognised in the combined income statements over the period necessary to match them with the costs that they are intended to compensate. The movement of deferred income during the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At beginning of year/period	—	—	—	—	400
Additions	—	—	421	421	2,000
Credited to combined income statements	—	—	(21)	—	(38)
At end of year/period	—	—	400	421	2,362

23 OTHER GAINS — NET

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Government grants	4	321	4,714	1,028	182
— relating to costs:	4	321	4,693	1,028	144
— relating to assets:	—	—	21	—	38
Loss on disposal of property, plant and equipment	—	—	(3,343)	(37)	(665)
Others	26	545	199	696	734
	30	866	1,570	1,687	251

24 EXPENSES BY NATURE

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Raw materials and consumable used *(Note 13)*	8,478	48,117	72,113	30,987	33,385
Changes in inventories of finished goods and work in progress *(Note 13)*	(3,217)	(18,753)	(12,958)	(4,029)	(1,817)
Employee benefits expenses *(Note 25)*	14,986	36,551	55,839	23,818	44,568
Depreciation of property, plant and equipment *(Note 8)*	2,353	9,480	13,441	6,745	6,849
Advertising, promotions and business development costs	7,703	12,478	28,853	11,659	11,799
Office and communication expenses	806	1,698	3,624	1,737	2,559
Direct research costs	213	4,220	4,948	1,679	3,310
Travelling and entertainment expenses	3,186	4,248	7,593	2,602	3,664
Taxes and levies	411	1,364	4,412	3,107	3,457
Provision for impairment of receivables *(Note 14)*	1,703	1,064	1,802	1,254	4,729
Write-down of inventories to realisable value *(Note 13)*	1,702	1,400	1,324	660	1,382
Low-value consumables	—	1,363	2,283	1,783	3,925
Operating lease payments	549	1,103	1,838	809	2,156
Transportation costs	1,106	2,253	4,095	1,679	3,034
Amortisation of land use rights *(Note 7)*	60	60	419	81	399
Amortisation of intangible assets *(Note 9)*	24	2,723	4,072	2,036	2,426
Professional fee	170	383	2,874	1,403	1,873
Listing expenses	—	—	—	—	7,519
Auditors' remuneration	31	44	150	129	165
Utilities	1,055	3,529	5,787	2,629	3,859
Others	155	1,002	2,121	972	547
Total cost of sales, selling expenses, administrative expenses and research and development expenses	41,474	114,327	204,630	91,740	139,788

25 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and bonuses	12,321	30,107	47,826	21,165	36,403
Staff welfare	687	1,474	1,697	745	2,745
Social security costs and housing fund	1,978	4,970	6,316	1,908	5,420
	14,986	36,551	55,839	23,818	44,568

(a) Directors and chief executive's emoluments

The emoluments of each director and the chief executive during the Relevant Periods are set out below:

For the year ended December 31, 2010

Name of directors	Fees	Wages, salaries and bonuses	Staff welfare	Social security and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive officer and executive director					
— Mr. Jiang Liwei *(i)*	—	—	—	—	—
Non-executive directors					
— Mr. Lin Junshan *(i)*	—	—	—	—	—
— Ms. Yue'e Zhang *(ii)*	—	—	—	—	—
— Mr. Feng Dai *(i)*	—	—	—	—	—
Independent non-executive directors					
— Mr. Chen Geng *(iii)*	—	—	—	—	—
— Mr. Wang Xiaogang *(iii)*	—	—	—	—	—
— Mr. Zhang Xingdong *(iii)*	—	—	—	—	—

For the year ended December 31, 2011

Name of directors	Fees	Wages, salaries and bonuses	Staff welfare	Social security and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive officer and executive director					
— Mr. Jiang Liwei *(i)*	—	—	—	—	—
Non-executive directors					
— Mr. Lin Junshan *(i)*	—	—	—	—	—
— Ms. Yue'e Zhang *(ii)*	—	—	—	—	—
— Mr. Feng Dai *(i)*	—	—	—	—	—
Independent non-executive directors					
— Mr. Chen Geng *(iii)*	—	—	—	—	—
— Mr. Wang Xiaogang *(iii)* . . .	—	—	—	—	—
— Mr. Zhang Xingdong *(iii)* . . .	—	—	—	—	—

For the year ended December 31, 2012

Name of directors	Fees	Wages, salaries and bonuses	Staff welfare	Social security and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive officer and executive director					
— Mr. Jiang Liwei *(i)*	—	—	—	—	—
Non-executive directors					
— Mr. Lin Junshan *(i)*	—	—	—	—	—
— Ms. Yue'e Zhang *(ii)*	—	—	—	—	—
— Mr. Feng Dai *(i)*	—	—	—	—	—
Independent non-executive directors					
— Mr. Chen Geng *(iii)*	—	—	—	—	—
— Mr. Wang Xiaogang *(iii)* . . .	—	—	—	—	—
— Mr. Zhang Xingdong *(iii)* . . .	—	—	—	—	—

For the six months ended June 30, 2012

Name of directors	Fees	Wages, salaries and bonuses	Staff welfare	Social security and housing fund	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Chief executive officer and executive director					
— Mr. Jiang Liwei *(i)*	—	—	—	—	—
Non-executive directors					
—Mr. Lin Junshan *(i)*	—	—	—	—	—
— Ms. Yue'e Zhang *(ii)*.	—	—	—	—	—
— Mr. Feng Dai *(i)*.	—	—	—	—	—
Independent non-executive directors					
— Mr. Chen Geng *(iii)*	—	—	—	—	—
— Mr. Wang Xiaogang *(iii)* . . .	—	—	—	—	—
— Mr. Zhang Xingdong *(iii)*. . .	—	—	—	—	—

For the six months ended June 30, 2013

Name of directors	Fees	Wages, salaries and bonuses	Staff welfare	Social security and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive officer and executive director					
— Mr. Jiang Liwei *(i)*	250	500	—	38	788
Non-executive directors					
—Mr. Lin Junshan *(i)*	150	—	—	—	150
— Ms. Yue'e Zhang *(ii)*.	—	—	—	—	—
— Mr. Feng Dai *(i)*.	—	—	—	—	—
Independent non-executive directors					
— Mr. Chen Geng *(iii)*	—	—	—	—	—
— Mr. Wang Xiaogang *(iii)* . . .	—	—	—	—	—
— Mr. Zhang Xingdong *(iii)*. . .	—	—	—	—	—

(i) Mr. Jiang Liwei, Mr. Lin Junshan and Mr. Feng Dai were appointed as directors or chief executive officers since June 2013.

(ii) Ms. Yue'e Zhang was appointed as director since May 2011. She had not received or was not entitled to receive any emoluments during the Relevant Periods.

(iii) Mr. Chen Geng, Mr. Wang Xiaogang and Mr. Zhang Xingdong were appointed as directors since October 2013. They had not received or were not entitled to receive any emoluments during the Relevant Periods.

(b) Five highest paid individuals

For the Relevant Periods, the five highest paid individuals do not include any director or chief executive. The emoluments payable to the five highest paid individuals during the Relevant periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Wages, salaries and bonuses	1,213	1,357	1,655	828	1,465
Social security costs and housing fund.	85	34	72	36	58
	1,298	1,391	1,727	864	1,523

The emoluments of these individuals fell within the following bands:

	Number of individuals				
	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
Emolument bands					
Nil to HK$1,000,000	5	5	5	5	5

During the Relevant Periods, none of the directors or the chief executive of the Company and the five highest paid individuals of the Group (i) received any emolument from the Group as an inducement to join or upon joining the Group; (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments.

26 FINANCE COSTS — NET

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance income:					
— Interest income on short-term bank deposits	(38)	(201)	(329)	(71)	(216)
— Interest income on Investment in structured products	—	—	—	—	(31)
Total finance income	(38)	(201)	(329)	(71)	(247)
Finance costs:					
— Interest expense on bank borrowings	720	—	500	—	2,118
— Less: bank borrowings cost capitalised	—	—	—	—	(525)
— Accretion of interest-free loan received from a related party *(Note 32(b))*	—	3,602	5,680	2,798	1,970
— Net foreign exchange losses	1,422	1,077	2,909	579	1,553
Total finance cost	2,142	4,679	9,089	3,377	5,116
Finance costs — net	2,104	4,478	8,760	3,306	4,869

27 INVESTMENTS IN AND LOANS TO SUBSIDIARIES — COMPANY

	Year ended December 31,		As at June 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted equity investment-cost *(i)*	—	—	—
Loans to subsidiaries *(ii)*	—	125,710	549,242
	—	125,710	549,242

(i) The details of the subsidiaries are included in Note 1(b) of Section II.

(ii) Loans to subsidiaries are unsecured, interest-free and investment in nature, denominated in RMB.

28 INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current income tax	3,613	11,373	22,542	10,975	14,839
Deferred income tax *(Note 21)*	(677)	(3,391)	(3,004)	(3,130)	(735)
Income tax expense	2,936	7,982	19,538	7,845	14,104

Below are the major tax jurisdictions that the Group operates during the Relevant Periods:

(a) Cayman Island profits tax

The Company has not been subject to any taxation in the Cayman Islands.

(b) Hong Kong profit tax

Companies incorporated in Hong Kong are subject to the Hong Kong profit tax at a rate of 16.5% during the Relevant Periods.

(c) The PRC Corporate Income Tax (the "CIT")

Except for Fert Technology and Walkman Biomaterial, the CIT of the Group in respect of its operations in mainland China is calculated at the tax rate of 25% on the estimated assessable profits for each of the Relevant Periods, based on the existing legislation interpretation and practices in respect thereof.

Fert Technology and Walkman Biomaterial were qualified as "High and New Technology Enterprises" under the CIT Law. Therefore, they were entitled to a preferential income tax rate of 15% on their estimated assessable profits during the Relevant Periods. They will continue to enjoy the preferential tax rate in the subsequent periods, provided that they continue to be qualified as "High and New Technology Enterprises" during such periods.

(d) WHT

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the Relevant Periods, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand the Group's business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each reporting period.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the combined entities as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Profit before income tax	17,268	57,328	119,721	52,414	74,344
Tax calculated at statutory tax rates applicable to profits in the respective countries	4,317	14,332	29,931	13,104	18,586
Tax effects of					
— Preferential income tax rates applicable to subsidiaries	(1,731)	(6,472)	(11,156)	(6,041)	(5,813)
— Tax losses for which no deferred income tax asset was recognised	64	312	266	893	1,372
— Additional deductible allowance for research and development expenses *(a)*	—	(301)	(551)	(284)	(228)
— Deemed income for tax purpose	—	—	527	—	—
— Expenses not deductible for tax purpose	286	111	521	173	187
Tax charge	2,936	7,982	19,538	7,845	14,104

(a) Pursuant to the CIT Law, an additional tax deduction is allowed based on the actual research and development expense charged to the combined income statements calculated at 50% of such expenses incurred if approved by tax authorities.

29 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	17,268	57,328	119,721	52,414	74,344
Adjustments for:					
— Depreciation of property, plant and equipment *(Note 8)*	2,353	9,480	13,441	6,745	6,849
— Amortisation of land use rights *(Note 7)*	60	60	419	81	399
— Amortisation of intangible assets *(Note 9)*	24	2,723	4,072	2,036	2,426
— Finance costs *(Note 26)*	720	3,602	6,180	2,798	3,563
— Loss on disposal of property, plant and equipment *(Note 23)*	—	—	3,343	37	665
— Provision for impairment of receivables *(Note 14)*	1,703	1,064	1,802	1,254	4,729
— Provision for write-down of inventories *(Note 13)*	1,702	1,400	1,324	660	1,382
	23,830	75,657	150,302	66,025	94,357
Change in working capital					
— (Increase)/decrease in inventories	(4,911)	(14,127)	(10,741)	1,472	3,802
— Increase in trade and other receivables	(9,071)	(31,157)	(88,103)	(60,800)	(46,690)
— Increase in amounts due from related parties	—	—	(12)	—	(1,534)
— Increase/(decrease) in deferred income	—	—	400	—	(38)
— Increase/(decrease) in trade and other payables	5,359	(3,965)	(5,514)	3,235	(6,410)
Cash generated from operations	15,207	26,408	46,332	9,932	43,487

(b) In the combined cash flow statements, proceeds from disposal of properties, plant and equipment comprise:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net book amount *(Note 8)*	—	—	3,459	37	3,296
Loss on disposal of property, plant and equipment *(Note 23)* . .	—	—	(3,343)	(37)	(665)
Proceeds from disposal. . .	—	—	116	—	2,631

(c) In the combined cash flow statements, acquisition of subsidiaries — net of cash acquired comprise:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash consideration paid *(Note 34)*	—	220,000	—	—	30,000
Cash and cash equivalents in the subsidiaries acquired *(Note 34)*. . . .	—	(8,765)	(20,907)	(20,907)	(37,237)
Cash prepaid in respect of acquiring subsidiaries *(Note 12)*	—	18,000	82,000	—	—
	—	229,235	61,093	(20,907)	(7,237)

30 CONTINGENCIES

As at June 30, 2013, Xuzhou Yijia, a wholly owned subsidiary of the Group, provided a financial guarantee with a maximum exposure of RMB4,900,000 to an independent third party in respect of its short-term bank borrowings. The financial guarantee contract period started at December 26, 2012 and will be ended by December 26, 2015. The financial guarantee was subsequently released in August 2013.

31 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	6,440	1,061	23,547	32,749
Land use rights	—	11,115	—	1,820
Acquisition of a subsidiary *(Note 34(a))*	—	—	23,000	—
	6,440	12,176	46,547	34,569

(b) Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The non-cancellable lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at the market rate. The Group is required to give at least a month notice for the termination of these agreements. The lease expenditure and related management fee, water and electricity (if necessary) charged to the combined income statements during the Relevant Periods are disclosed in Note 24.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	430	1,373	1,021	3,077
Later than 1 year and no later than 5 years	959	1,871	1,007	8,672
	1,389	3,244	2,028	11,749

32 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the Relevant Periods:

Name of related parties	Relationship with the Group	Period covered
Cross Mark	Parent of the Company	Started from January 1, 2010
Zhang Wendong	A family member of Ms. Liu	Started from January 1, 2010
Tianjin Pharmaceutical Holdings Zhongjian Kangda Medical Devices Co.,Ltd. (天津醫藥集團眾健康達醫療器械有限公司, "Zhong Jian Kang Da")	Significant influence to a major subsidiary of the Group	Started from May 31, 2012 (date of acquisition of Tianjin Renli)
Wu Dong	Senior management of Shenzhen Bone	Started from January 31, 2013 (date of acquisition of Shenzhen Bone)
Shenzhen HaoHao Medical Equipment Co.,Ltd. (深圳市昊昊醫療器材有限公司, "Shenzhen HaoHao")	Controlled by Wu Dong	Started from January 31, 2013 (date of acquisition of Shenzhen Bone)

(a) Related party transactions

Saved as disclosed, elsewhere in the report during the Relevant Periods, the following transactions were carried out between the Group and related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continued related party transactions					
Sales to related parties:					
Shenzhen HaoHao	—	—	—	—	3,458
Discontinued related party transactions					
Sales to related parties:					
Zhong Jian Kang Da	—	—	127	—	—
Financial guaranteed provided by related parties					
Zhang Wendong	—	—	20,000	—	32,000
Wu Dong	—	—	—	—	4,000
	—	—	20,000	—	36,000
Loans provided to related parties:					
Zhang Wendong	—	8,000	—	—	—
Zhong Jian Kang Da	—	—	1,000	—	1,000
	—	8,000	1,000	—	1,000
Loans provided by a related party:					
Zhang Wendong	—	100,000	—	—	—

(b) Balances with related parties

Group

	At December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Amounts due from related parties — current				
Trade receivable				
Zhong Jian Kang Da	—	—	12	12
Shenzhen HaoHao	—	—	—	1,534
	—	—	12	1,546
Non- trade receivable				
Zhang Wendong	128	8,000	383	—
Zhong Jian Kang Da	—	—	—	1,000
Cross Mark	1,662	—	—	—
	1,790	8,000	383	1,000
Total	1,790	8,000	395	2,546

Except for the amounts due from Zhang Jian Kang Da, all the other amounts due from related parties are non-trade receivables and will be settled upon demand of the Group.

The amounts due from Zhong Jian Kang Da are trade in nature. The ageing is within one year, which is within the Group's credit term.

The outstanding amount due from related parties of non-trade nature are subsequently settled in September 2013.

The maximum exposure to credit risk at each of the reporting dates is the carrying value of the amounts due from related parties.

	At December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Amounts due to related parties				
— Current				
Zhang Wendong	—	120,000	98,030	—
Zhong Jian Kang Da	—	—	10,123	11,496
Cross Mark	7,034	—	—	—
Wu Dong	—	—	—	2,389
	7,034	120,000	108,153	13,885
— Non-current				
Zhang Wendong	—	92,350	—	—

Amounts due to related parties are all non-trade payables.

Except for the interest-free loan received from Mr. Zhang Wendong with the amount of RMB100,000,000 as described below, all the other amounts due to related parties will be settled upon demand of these related parties.

The outstanding amount due to related parties are expected to be settled prior to the Listing.

Interest-free loan received from Mr. Zhang Wendong

The movements of the interest-free loan during the Relevant Periods are as follows,

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Beginning of the year/period	—	—	92,350	92,350	98,030
Addition *(i)*	—	88,748	—	—	—
Accretion *(Note 26)*	—	3,602	5,680	2,798	1,970
Repayment	—	—	—	—	(100,000)
End of the year/period	—	92,350	98,030	95,148	—
Less: current portion	—	—	(98,030)	—	—
Non-current portion	—	92,350	—	95,148	—

(i) Mr. Zhang Wendong provided an interest-free loan of RMB100,000,000 to the Group in April 2011 to finance the Reorganisation. The interest-free loan was denominated in RMB and due for repayment in April 2013. The interest-free loan was initially recognised at its fair value of RMB88,748,000, the difference between the fair value and undiscounted amount, net of tax, with the amount of RMB8,439,000 was recorded in equity. The interest-free loan was subsequently recorded at amortised cost using effective interest method and the amortisation amount was charged to the "finance costs" in the combined income statements.

As at December 31, 2011 and 2012, the fair value of interest-free loan approximates their carrying amount, as the impact of discounting is not significant. The fair value is calculated based on cash flows discounted using 6.15%.

Company

Amounts due from subsidiaries are non-trade receivable and will be settled upon demand of the Company. Amounts due to subsidiaries are interest free, non-trade payables and will be settled upon demand of these subsidiaries.

33 TRANSACTIONS WITH NON-CONTROLLING INTERESTS("NCI")

(a) Introduction of certain financial investors

In order to seek the alliance with strategic investors for additional capital access and market experience, the Company introduced several financial investors to both the Orthopedic Implant Business and the Infusion Set Business. The details during the Relevant Periods are summarised as follows:

(i) *Introduction of WP X*

Before September 2010, Cross Mark held 55% equity interests in Walkman Biomaterial through Health Forward Limited ("Health Forward"), a wholly owned subsidiary of the Group. In September 2010, PWM Investment, a subsidiary wholly owned by WP X at that time, made a cash contribution of RMB70,000,000. Immediately after completion of the cash contribution, the Group acquired 53.3% equity interest in PWM Investment in exchange of the 100% equity interest in Health Forward. As a result, the Group's equity interest in Walkman Biomaterial was diluted from 55% to 39.19%. As the Group still has the power to govern the financial and operating policy of Walkman Biomaterial by securing a majority of voting rights in the meeting of board of directors, Walkman Biomaterial is regarded as a subsidiary of the Group. Accordingly, the transaction is accounted for as equity transaction.

The Group recognised an increase in non-controlling interests of RMB50,529,000 and an increase in equity attributable to owners of the Company of RMB19,471,000. The effect of changes in the ownership interest of Walkman Biomaterial on the equity attributable to owners of the Company during the year ended December 31, 2010 is summarised as follows:

	RMB'000
Consideration received from the transaction with non-controlling interests	70,000
Carrying amount of non-controlling interests increased	(50,529)
Gain on disposal within equity	19,471

(ii) *Introduction of Sparkle Wealthy*

In September 2012, Sparkle Wealthy acquired an additional 3% equity interest of PWM Investment at a cash consideration of RMB6,014,000. In September and December 2012, the then-existing non-controlling interests of that subsidiary of the Group, namely, WP X and Sparkle Wealthy made capital contributions to PWM Investment on a pro rata basis to their then shareholding percentages with an aggregate amount of approximately RMB52,331,000. Subsequently in October 2012, PWM Investment made a follow-on investment in Walkman Biomaterial with a capital contribution in US$ equivalent to RMB105,000,000. After these transactions, the Group's effective equity interests in Walkman Biomaterial were changed to 40.85%. As the Group still has the power to govern the financial and operating policy of Walkman Biomaterial by securing a majority of voting rights in the meeting of board of directors, Walkman Biomaterial is regarded as a subsidiary of the Group. Accordingly, the transaction is accounted for as an equity transaction.

The Group recognised an increase in non-controlling interests of RMB51,917,000.The effect of changes in the ownership interest of Walkman Biomaterial on the equity attributable to owners of the Company during the year ended December 31, 2012 is summarised as follows:

	RMB'000
Consideration received from the transaction with non-controlling interests	58,345
Carrying amount of non-controlling interests increased	(51,917)
Gain on disposal within equity	6,428

(b) Acquiring additional interests of Fert Technology

The Group originally held 55.625% equity interest in Fert Technology. In December 2012, Health Access, a wholly owned subsidiary of the Group acquired the remaining 44.375% equity interest from Langjing Technology, an independent third party at a cash consideration of RMB180,000,000. The cash consideration was paid in May 2013.

The carrying amount of the non-controlling interests in Fert technology on the date of acquisition was RMB110,363,000. The Group recognised a decrease in non-controlling interests of RMB110,363,000 and a decrease in equity attributable to owners of the Company of RMB69,637,000. The effect of changes in the ownership interest of Fert Technology on the equity attributable to owners of the Company during the year ended December 31, 2012 is summarised as follows:

	RMB'000
Consideration payable to non-controlling interests	(180,000)
Carrying amount of non-controlling interests acquired	110,363
Excess of consideration paid recognised within equity	(69,637)

(c) Acquiring additional interests of Walkman Biomaterial

PWM Investment, a subsidiary of the group, originally held 79.02% equity interest in Walkman Biomaterial. In May 2013, PWM Investment acquired the remaining 20.98% equity interest non-controlling interests owners at a cash consideration of RMB120,000,000, of which RMB10,000,000 was not paid and recorded as other payable and withholding tax (Note 19) as at June 30, 2013.

The carrying amount of the non-controlling interests in Walkman Biomaterial on the date of acquisition was RMB82,712,000. The Group recognised a decrease in non-controlling interests of RMB82,712,000 and a decrease in equity attributable to owners of the Company of RMB37,288,000. The effect of changes in the ownership interest of Walkman Biomaterial on the equity attributable to owners of the Company during the six months ended June 30, 2013 is summarised as follows:

	RMB'000
Consideration paid/payable to non-controlling interests	(120,000)
Carrying amount of non-controlling interests acquired	82,712
Excess of consideration paid recognised within equity	(37,288)

(d) Acquiring additional interests of Shenzhen Bone

PWM Investment and Walkman Biomaterial originally held 60% equity interest in Shenzhen Bone. In June 2013, PWM Investment, a subsidiary of the Group, acquired the remaining 40% equity interest from Mr. Wu Dong and Mrs. Xie Yunxia at a cash consideration of RMB58,440,000.

The carrying amount of the non-controlling interests in Shenzhen Bone on the date of acquisition was RMB47,072,000. The Group recognised a decrease in non-controlling interests of RMB47,072,000 and a decrease in equity attributable to owners of the Company of RMB11,368,000 The effect of changes in the ownership interest of Shenzhen Bone on the equity attributable to owners of the Company during the six months ended June 30, 2013 is summarised as follows:

	RMB'000
Consideration paid/payable to non-controlling interests	(58,440)
Carrying amount of non-controlling interests acquired	47,072
Excess of consideration paid recognised within equity	(11,368)

34 BUSINESS COMBINATION

(a) Acquisition of Fert Technology

On April 30, 2011, Cross Mark acquired 55.625% equity interests in Fert Technology through PWM Beijing at a cash consideration of RMB220,000,000 and obtained control by securing a majority of voting right. Cross Mark subsequently transferred the whole equity interests in PWM Beijing to Health Access, a wholly owned subsidiary of the Group, at the same cash consideration on September 30, 2011(Note1(b)(3)).

Through the acquisition, the Group gains access to the fast growing high-end advanced technological Chinese infusion markets. It also expects to reduce costs through economies of scale. The goodwill of RMB148,018,000 arising from the acquisition is attributable to a pre-existing, well-positioned business in the innovation-intensive, high-growth infusion set market where the company would gain competitiveness through early entry into geographical areas where currently there is no coverage. It is also associated with a highly skilled workforce, buyer-specific synergies and established reputation. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition-related costs have been charged to administrative expenses in the combined income statements for the year ended December 31, 2011. The fair value of the acquired identifiable intangible assets include trademark and technology know-how.

Valuation information about the fair value measurement using significant unobservable inputs (Level 3) adopted by the valuation of the intangible assets (other than goodwill) were as follows:

Approach	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Income approach	Gross margin	40%	The higher the gross margin, the higher the fair value
	Terminal growth rate for free cash flow	2.5%	The higher the growth rate, the higher the fair value
	Discount rate	17.6% or 18.6%	The higher the discount rate, the lower the fair value

The Company applied market participant's view in developing the assumptions used in fair value measurement of the identifiable intangible assets in the business combination. Under market participant's view, an entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use under current market conditions at the acquisition date.

The revenue included in the combined income statements since acquisition date contributed by Fert Technology was RMB99,888,000. Fert Technology also contributed profit of RMB31,357,000 over the same period. Had Fert Technology been consolidated from January 1, 2011, the combined income statements would show pro-forma revenue of RMB211,743,000 and net profit of RMB65,854,000 for the year ended December 31, 2011.

The following table summarises the consideration paid for Fert Technology, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
Consideration:	
At April 30, 2011	
— Cash consideration	220,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(Note 8)*	46,247
Intangible assets — trademarks *(Note 9)*	11,755
Intangible assets — technology know-how *(Note 9)*	36,440
Intangible assets — customer relationship *(Note 9)*	5,012
Long-term prepayments	2,224
Available-for-sale financial assets *(Note 10)*	27,600
Inventories	25,130
Trade and other receivables	7,025
Deferred income tax assets *(Note 21)*	1,355
Cash and cash equivalents	8,765
Current income tax liabilities	(1,267)
Current liabilities	(30,965)
Deferred income tax liabilities *(Note 21)*	(9,995)
Total identifiable net assets	129,326
Non-controlling interest	(57,344)
Goodwill *(Note 9)*	148,018
Total	220,000

(b) Acquisition of Tianjin Renli

On May 31, 2012, Walkman Biomaterial, a subsidiary of the Group, acquired 60% equity interest in Tianjin Renli with a cash consideration of RMB18,000,000, which was paid and recorded as long term prepayment (Note 12) as at December 31, 2011.

According to the Articles of Association of Tianjin Renli, the strategic, operating and capital decisions are generally made by majority vote of the board members. The Company has control over the composition of Tianjin Renli's board, which has five members, three appointed by the Company, and two appointed by minority shareholders. Accordingly, Tianjin Renli is regarded as a subsidiary of the Company under HKFRS 10 "Consolidation Financial Statements" regardless of the shareholding ratio.

As a result of the acquisition, the Group is expected to increase its presence in the orthopedic implants markets. It also expects to reduce costs through economies of scale. The goodwill of RMB12,831,000 arising from the acquisition is attributable to the economies of scale expected from expanding of the business scope of the Orthopedic Implant Business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition-related costs have been charged to administrative expenses in the combined income statements for the year ended December 31, 2012.

The revenue included in the combined income statements since May 2012 contributed by Tianjin Renli was RMB2,521,000. Tianjin Renli also contributed losses of RMB1,320,000 over the same period. Had Tianjin Renli been consolidated from January 1, 2012, the combined income statements would show pro-forma revenue of RMB333,579,000 and net profit of RMB97,064,000 for the year ended December 31, 2012.

The following table summarises the consideration for acquisition of Fert Technology, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
Consideration:	
At May 31, 2012	
— Cash consideration	18,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(Note 8)*	1,800
Inventories	7,551
Long-term prepayments	178
Trade and other receivables	4,333
Deferred income tax assets *(Note 21)*	1,247
Cash and cash equivalents	20,907
Current liabilities	(13,969)
Deferred income tax liabilities *(Note 21)*	(61)
Total identifiable net assets	21,986
Non-controlling interest	(16,817)
Goodwill *(Note 9)*	12,831
Total	18,000

(c) Acquisition of Shenzhen Bone

On January 31, 2013, PWM Investment and Walkman Biomaterial acquired an aggregated 60% equity interest in Shenzhen Bone with a cash consideration of RMB105,000,000, of which RMB82,000,000 was paid and recorded as a long-term prepayment (Note 12) as at December 31, 2012.

Valuation information about the fair value measurement using significant unobservable inputs (Level 3) adopted by the valuation of the intangible assets (other than goodwill) were as follows:

Approach	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Income approach	Gross margin	54%	The higher the gross margin, the higher the fair value
	Terminal growth rate for free cash flow	2.5%	The higher the growth rate, the higher the fair value
	Discount rate	19.3%	The higher the discount rate, the lower the fair value

The Company applied market participant's view in developing the assumptions used in fair value measurement of the identifiable intangible assets in the business combination. Under market participant's view, an entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use under current market conditions at the acquisition date.

As a result of the acquisition, the Group is expected to further expand its orthopedic implant product portfolio. It also expects to reduce costs through economies of scale. The goodwill of RMB88,973,000 arising from the acquisition is attributable to acquired customer base and economies of scale expected from consolidating the operations of the existing Orthopedic Implant Business and Bone Medical. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Shenzhen Bone, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
Consideration:	
At January 31, 2013	
— Cash consideration	105,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(Note 8)*	491
Intangible assets — technology know-how *(Note 9)*	13,903
Long-term prepayment for property, plant and equipment	15,340
Inventories	8,899
Deferred income tax assets *(Note 21)*	1,297
Trade and other receivables	1,452
Cash and cash equivalents	37,237
Current liabilities	(17,299)
Current borrowings	(4,000)
Deferred income tax liabilities *(Note 21)*	(3,503)
Total identifiable net assets	53,817
Non-controlling interest	(37,790)
Goodwill *(Note 9)*	88,973
Total	105,000

(d) Acquisition of Xuzhou Yijia Medical Device Co., Ltd. (徐州一佳醫療器械有限公司, "Xuzhou Yijia")

On May 31, 2013, Fert Technology acquired 100% equity interest in Xuzhou Yijia, a company engaged in Infusion Set Business, at a cash consideration of RMB20,000,000, of which RMB7,000,000 was paid in April 30, 2013 and RMB13,000,000 was recorded as other payable(Note 19) as at June, 30, 2013.

As a result of the acquisition, the Group is expected to further expand its production capacity of Infusion Set. It also expects to reduce costs through economies of scale. The goodwill of RMB12,736,000 arising from the acquisition is attributable to acquired economies of scale expected from consolidating the production and operation of the existing land use right, building and production line. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Xuzhou Yijia, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
Consideration:	
At May 31, 2013	
— Cash consideration	20,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(Note 8)*	18,540
Land use rights *(Note 7)*	9,410
Current liabilities	(5,000)
Current borrowings	(9,900)
Deferred income tax liabilities *(Note 21)*	(5,786)
Total identifiable net assets	7,264
Goodwill *(Note 9)*	12,736
Total	20,000

As at May 31, 2013, Xuzhou Yijia is still in the process of applying the ownership certificates of certain land with the aggregated carrying amounts amounted to RMB6,987,000.

35 INTERESTS IN SUBSIDIARIES

(a) Information about principal subsidiaries

Set out below are the Group's principal subsidiaries at December 31, 2010, 2011, 2012 and June 30, 2012 and 2013. Unless otherwise stated, the subsidiaries as listed below have combined capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their place of principal place of business.

	% of ownership interest held by the Company					% of ownership interest held by the NCI				
	December 31,			June 30,		December 31,			June 30,	
	2010	2011	2012	2012	2013	2010	2011	2012	2012	2013
Walkman Biomaterial	39.19%	39.19%	40.85%	39.19%	51.70%	60.81%	60.81%	59.15%	60.81%	48.30%
Shenzhen Bone	n.a	n.a	n.a	n.a	51.70%	n.a	n.a	n.a	n.a	48.30%
Fert Technology	n.a	55.63%	100.00%	55.63%	100.00%	n.a	44.37%	0.00%	44.37%	0.00%

(b) Significant restrictions

No significant restrictions on the ability to access or use the assets and settle the liabilities of the Group.

(c) Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group:

Summarised balance sheets

	Walkman Biomaterial			
	December 31,			June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	107,696	115,938	165,664	15,000
Other assets	26,978	41,837	39,966	244,521
Current liabilities	29,409	33,415	45,591	9,286
Other liabilities	—	—	400	89,036
Net assets	105,265	124,360	159,639	161,199
Carrying amount of NCI	64,015	75,629	94,421	53,756

	Shenzhen Bone			
	December 31,			June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	n.a	n.a	n.a	20,550
Other assets	n.a	n.a	n.a	43,323
Current liabilities	n.a	n.a	n.a	701
Other liabilities	n.a	n.a	n.a	11,800
Net assets	n.a	n.a	n.a	51,372
Carrying amount of NCI	n.a	n.a	n.a	24,813

	Fert Technology			
	December 31,			June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	n.a	178,164	170,264	277,030
Other assets	n.a	32,626	77,477	89,745
Current liabilities	n.a	44,308	35,678	144,892
Other liabilities	n.a	—	—	1,984
Net assets	n.a	166,482	212,063	219,899
Carrying amount of NCI	n.a	73,868	—	—

Summarised income statements and cash flows statements

	Walkman Biomaterial				
	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	60,816	75,379	95,046	45,225	74,328
Profit for the year/period	14,578	19,096	32,718	15,020	25,018
Total comprehensive income for the year/period	—	—	—	—	—
Profit attributable to non-controlling interests	7,215	11,613	19,793	9,134	14,345
Net cash generated from/(used in) operating activities	11,735	(5,355)	(7,062)	(12,348)	(10,635)
Net cash used in investing activities	(17,396)	(16,977)	(21,020)	(2,144)	(9,991)
Net cash generated from/(used in) financing activities	40,486	—	32,560	(7,378)	5,000
Net increase/(decrease) in cash and cash equivalents	34,825	(22,332)	4,478	(21,870)	(15,626)

	Shenzhen Bone				
	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	n.a	n.a	n.a	n.a	12,265
Loss for the year/period	n.a	n.a	n.a	n.a	(2,112)
Total comprehensive income for the year/period	n.a	n.a	n.a	n.a	—
Loss attributable to non-controlling interests	n.a	n.a	n.a	n.a	(1,609)
Net cash used in operating activities	n.a	n.a	n.a	n.a	(8,686)
Net cash used in investing activities	n.a	n.a	n.a	n.a	(13,185)
Net cash used in financing activities	n.a	n.a	n.a	n.a	(11,174)
Net decrease in cash and cash equivalents	n.a	n.a	n.a	n.a	(33,045)

	Fert Technology				
	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	n.a	99,888	233,974	100,205	147,057
Profit for the year/period	n.a	36,676	82,802	35,157	53,556
Total comprehensive income for the year/period	n.a	—	—	—	—
Profit attributable to non-controlling interests	n.a	16,274	36,743	15,600	—
Net cash generated from operating activities	n.a	20,567	34,231	19,014	55,315
Net cash generated from/(used in) investing activities	n.a	12,784	(23,449)	(13,750)	(25,447)
Net cash used in financing activities	n.a	(25,291)	4,313	(13,000)	(7,812)
Net increase/(decrease) in cash and cash equivalents	n.a	8,060	15,095	(7,736)	22,056

36 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in Note 2 above.

37 EVENT SUBSEQUENT TO BALANCE SHEET DATE

(a) On July 11, 2013, the Group completed the Reorganisation in preparing for the Listing (Note 1(b)).

(b) On July 3, 2013, the Company's pre-IPO Share Option Scheme was approved by the board of directors. The board of directors may, under the pre-IPO Share Option Scheme, grant options to the employees, directors or other selected participants of the Group. Approximately 70,891,722 share options were granted under the pre-IPO Share Option Scheme up to the date of this report.

(c) Pursuant to the written resolutions of all the Shareholders of the Company on October 14, 2013, the issue of 1,105,725,655 shares will be made upon capitalisation of an amount of approximately US$111,000 (equivalent to RMB685,000) standing to the credit of the share premium account of the Company.

(d) In September 2013, according to the agreements entered into with an independent third party, the Group disposed the whole equity interests in Tianjin Renli for a cash consideration of RMB19,400,000. The disposal resulted in a gain of approximately RMB1,400,000. Up to the date of this report, the Group has received RMB3,880,000 of the cash consideration and the remaining portion is expected to be received in year 2014.

The revenue and net loss contributed by Tianjin Renli during the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue.	—	—	2,521	343	2,356
Loss for the year/period . . .	—	—	(1,320)	(406)	(3,256)

III PRE-ACQUISITION FINANCIAL INFORMATION OF FERT TECHNOLOGY

Fert Technology

The following is the financial information of Fert Technology for the year ended December 31, 2010 and for the period from January 1, 2011 to April 30, 2011, date of acquisition by the Group.

Company Balance Sheets of Fert Technology

	Note	As at December 31, 2010	As at April 30, 2011
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment.	*(a)*	36,861	36,819
Deferred income tax assets		1,285	1,355
Long-term prepayments		2,198	2,224
		40,344	40,398
Current assets			
Inventories	*(b)*	22,060	25,130
Trade and other receivables		4,482	7,026
Cash and cash equivalents		15,777	8,765
Investment in a jointly controlled entity .		500	500
		42,819	41,421
Total assets		83,163	81,819

	As at December 31, 2010	As at April 30, 2011
	RMB'000	RMB'000
Equity		
Paid in capital	16,000	16,000
Retained earnings	28,681	33,585
Total equity	44,681	49,585
Current liabilities		
Trade and other payables	36,140	30,967
Current income tax liabilities	2,342	1,267
	38,482	32,234
Total liabilities	38,482	32,234
Total equity and liabilities	83,163	81,819
Net current assets	4,337	9,187
Total assets less current liabilities	44,681	49,585

Company Income Statements of Fert Technology

	Note	Year ended December 31, 2010	Period from January 1, 2011 to April 30, 2011
		RMB'000	RMB'000
Revenue	*(c)*	88,809	36,476
Cost of sales	*(d)*	(51,457)	(16,419)
Gross profit		37,352	20,057
Selling expenses	*(d)*	(1,193)	(1,327)
Administrative expenses	*(d)*	(5,694)	(1,162)
Research and development expenses	*(d)*	(3,638)	(839)
Other gains — net	*(e)*	464	2,603
Operating profit		27,291	19,332
Finance income — net		101	24
Profit before income tax		27,392	19,356
Income tax expense		(4,203)	(2,848)
Profit for the year/period		23,189	16,508

Company Statements of Comprehensive Income of Fert Technology

	Year ended December 31, 2010	Period from January 1, 2011 to April 30, 2011
	RMB'000	RMB'000
Profit for the year/period	23,189	16,508
Other comprehensive income:		
Other comprehensive income for the year/period, net of tax	—	—
Total comprehensive income for the year/period	23,189	16,508

Company Statement of Changes in Equity of Fert Technology

	Paid-in capital	Retained earnings	Total
	RMB'000	RMB'000	RMB'000
Balance at January 1, 2010	16,000	7,092	23,092
Profit for the year	—	23,189	23,189
Dividends declared	—	(1,600)	(1,600)
Balance at December 31, 2010	16,000	28,681	44,681
Balance at January 1, 2011	16,000	28,681	44,681
Profit for the period	—	16,508	16,508
Dividends declared	—	(11,604)	(11,604)
Balance at April 30, 2011	16,000	33,585	49,585

Company Cash Flow Statements of Fert Technology

	Year ended December 31, 2010	Period from January 1, 2011 to April 30, 2011
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before tax	27,392	19,356
Adjustments for:		
Depreciation of property, plant and equipment	5,071	1,821
Dividend income	—	(2,600)
Increase in inventories	(1,560)	(3,070)
Decrease/(increase) in trade and other receivables	2,512	(2,544)
Decrease in trade and other payables	(24,014)	(5,225)
Cash generated from operations	9,401	7,738
Income tax paid	(1,868)	(3,993)
Net cash generated from operating activities	7,533	3,745
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,251)	(1,753)
Dividends received	—	2,600
Net cash (used in)/generated from investing activities	(7,251)	847
Cash flows from financing activities		
Dividends paid to the then equity owners	(1,600)	(11,604)
Net cash used in financing activities	(1,600)	(11,604)
Net decrease in cash and cash equivalents	(1,318)	(7,012)
Cash and cash equivalents at beginning of year/period	17,095	15,777
Cash and cash equivalents at end of year/period	15,777	8,765

Notes to Company Balance Sheets of Fert Technology

(a) *Property, plant and equipment of Fert Technology*

	Buildings and facilities	Leasehold improvements	Furniture, fittings and office equipment	Machinery equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2010						
Cost	19,106	1,688	763	18,613	1,570	41,740
Accumulated depreciation	(1,023)	(1,030)	(505)	(2,618)	(1,160)	(6,336)
Net book amount	18,083	658	258	15,995	410	35,404
For the year ended December 31, 2010						
Opening net book amount	18,083	658	258	15,995	410	35,404
Additions	3,494	—	508	2,371	155	6,528
Depreciation	(1,230)	(192)	(80)	(3,437)	(132)	(5,071)
Closing net book amount	20,347	466	686	14,929	433	36,861
At December 31, 2010						
Cost	22,600	1,688	1,271	20,984	1,725	48,268
Accumulated depreciation	(2,253)	(1,222)	(585)	(6,055)	(1,292)	(11,407)
Net book amount	20,347	466	686	14,929	433	36,861
For the period ended April 30, 2011						
Opening net book amount	20,347	466	686	14,929	433	36,861
Additions	300	—	137	1,179	163	1,779
Depreciation	(494)	(64)	(48)	(1,174)	(41)	(1,821)
Closing net book amount	20,153	402	775	14,934	555	36,819
At April 30, 2011						
Cost	22,900	1,688	1,408	22,163	1,888	50,047
Accumulated depreciation	(2,747)	(1,286)	(633)	(7,229)	(1,333)	(13,228)
Net book amount	20,153	402	775	14,934	555	36,819

(b) *Inventories of Fert Technology*

	As at December 31, 2010	As at April 30, 2011
	RMB'000	**RMB'000**
Raw materials	12,756	11,588
Work in progress	4,263	5,696
Finished goods	5,041	7,846
Cost of inventories	22,060	25,130

(c) *Revenue of Fert Technology*

	Year ended December 31, 2010	Period from January 1, 2011 to April 30, 2011
	RMB'000	**RMB'000**
Revenue-sales of products		
Infusion set business	88,809	36,476

During the year ended December 31, 2010 and the period from January 1, 2011 to April 30, 2011, the revenue attributed from Fert Device is as follows:

	Year ended December 31, 2010	Period from January 1, 2011 to April 30, 2011
	RMB'000	**RMB'000**
Fert Device	73,415	27,093

(d) *Expenses by nature of Fert Technology*

	Year ended December 31, 2010	Period from January 1, 2011 to April 30, 2011
	RMB'000	RMB'000
Raw materials and consumable used	30,421	11,733
Changes in inventories of finished goods and work in progress	2,567	(3,498)
Employee benefit expenses	13,473	5,992
Depreciation of property, plant and equipment (a)	5,071	1,821
Office and communication expenses	730	281
Direct research costs	2,323	416
Travelling and entertainment expenses	234	95
Tax surcharges	856	552
Low-value consumables	1,018	443
Operating lease payments	1,072	283
Transportation costs	1,148	468
Utilities	2,729	1,064
Others	340	97
Total cost of sales, selling expenses, administrative expenses and research and development expenses	61,982	19,747

(e) *Other gains — net of Fert Technology*

	Year ended December 31, 2010	Period from January 1, 2011 to April 30, 2011
	RMB'000	RMB'000
Dividend income	—	2,600
Government grants	193	—
Others	271	3
	464	2,603

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2013 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong