PW MEDTECH GROUP LIMITED
普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01358.HK)

Annual Report
2015

A TRUE PIONEER IN THE CHINESE MEDICAL DEVICES INDUSTRY

“We are a leading medical device company with focus on fast-growing and high-margin segments of China's medical device industry. We have leading market positions in our current business segments of regenerative medical biomaterials, advanced infusion sets and orthopedic implants, with strong research and development capabilities and well established distribution networks.”

Contents

Corporate Profile

PW Medtech is a leading medical device company with focus on fast-growing and high-margin segments of China's medical device industry. The Group has leading market positions in its current business segments of regenerative medical biomaterials, advanced infusion sets and orthopedic implants, with strong R&D capabilities and well established distribution networks.

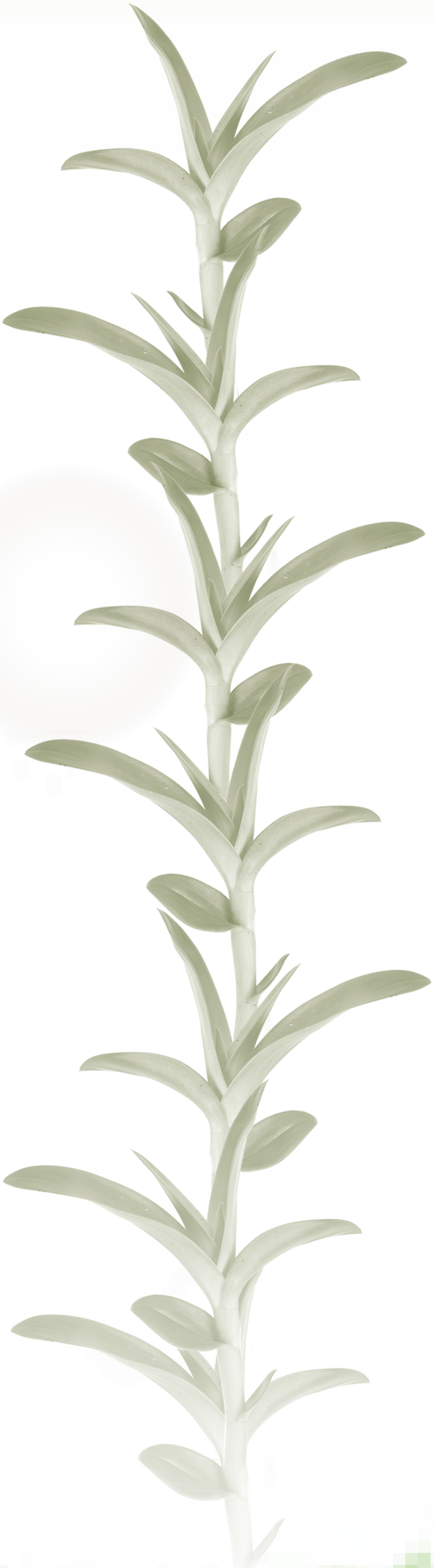
The Shares were successfully listed on the Main Board of the Stock Exchange on November 8, 2013, which enables PW Medtech's access to international capital market and creates a platform for rapid development.

The Group is a leading company in the field of artificial dura mater in China, which is a key regenerative medical biomaterial product line. The Group has the largest market share of artificial dura mater with its products widely used in craniotomy operations and neurosurgery areas in China. The Group has been expanding into new medical applications of regenerative biomaterial products in other areas with R&D investments, technology advancement and continuous expansion of the well-established leading distribution network in China for neurosurgical medical devices.

Currently as China's second largest advanced infusion sets manufacturer and the largest in Beijing region, the Group produces advanced infusion sets including non-PVC-based infusion sets, precision filter infusion sets and light resistant infusion sets. The Group is one of the first manufacturers which obtained the approval of the CFDA to manufacture precision filter infusion sets, and one of the first three manufacturers approved by the CFDA for producing non-PVC-based infusion sets. The Group also holds patented double-layer tubing design for non-PVC-based infusion sets.

The Group is one of the top domestic companies in China manufacturing orthopedic implants in terms of market shares, and is one of the only two major domestic companies with a full product portfolio including trauma, spine, as well as hip and knee implants.

Milestones



2014	• Acquired Beijing Tianxinfu and expanded into the Regenerative Medical Biomaterial Business
2013	• Listed on the Main Board of the Stock Exchange on November 8, 2013 with stock code: 1358 • Acquired Shenzhen Bone and expanded into joint products • Acquired Xuzhou Yijia and further expanded Infusion Set Business
2011	• Acquired Fert Technology and entered into the Infusion Set Business
2008	• Acquired Walkman Biomaterial and entered into the Orthopedic Implant Business
2002	• Beijing Tianxinfu and Shenzhen Bone were founded in 2002
2001	• Walkman Biomaterial was founded in 2001
1997	• Fert Technology was founded in 1997

Financial Highlights

- Revenue for the year ended December 31, 2015 amounted to approximately RMB633.9 million, representing an increase of 4.2% from approximately RMB608.1 million recorded in 2014.

- Gross profit for the year ended December 31, 2015 amounted to approximately RMB476.0 million, representing an increase of 7.5% from approximately RMB442.9 million recorded in 2014.

- Profit attributable to owners of the Company for the year ended December 31, 2015 amounted to approximately RMB208.6 million, representing an increase of 18.1% from approximately RMB176.6 million recorded in 2014.

- Basic earnings per Share and diluted earnings per Share in 2015 were RMB12.45 cents (2014: RMB10.57 cents) and RMB12.31 cents (2014: RMB10.30 cents), respectively, representing an increase of 17.8% and 19.5% from 2014, respectively.

Financial Summary

	For the Year ended December 31,				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Revenue	175,267	331,541	457,083	608,059	**633,874**
Gross profit	109,117	218,847	310,427	442,889	**475,985**
Profit before income tax	57,328	119,721	113,863	211,322	**253,293**
Income tax expense	(7,982)	(19,538)	(22,860)	(34,692)	**(44,711)**
Profit for the year	49,346	100,183	91,003	176,630	**208,582**
Profit attributable to:					
Owners of the Company	22,103	44,668	77,905	176,630	**208,582**
Non-controlling interests	27,243	55,515	13,098	—	**—**
Unaudited adjusted net profit (Note)	49,346	100,183	140,686	204,678	**207,126**

	As at December 31,				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Total assets	542,160	921,313	2,129,161	2,382,537	**2,539,276**
Total liabilities	288,912	396,612	230,465	271,211	**240,611**
Equity attributable to the owners of the Company	91,722	349,537	1,898,696	2,110,159	**2,297,498**

Note: To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use unaudited adjusted net profit as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our unaudited adjusted net profit was derived from our profit for the year excluding share-based compensation expenses, listing-related expenses and costs for merger and acquisition, if any.

Chairman's Statement

It is a great honor for me, on behalf of the Board of PW Medtech, to present the annual report of the Company for the financial year ended December 31, 2015.

In 2015, China has experienced increasing economic downward pressure. While under the new economic circumstance, China's economy has maintained steady growth by adhering to reform and structural adjustment. With the growing aging population, increasing residents' awareness of public health services and the Chinese government's accelerating optimization and upgrade of medical device industry, the industry sees potentials for quality medical devices and services, as well as valuable opportunities of industry growth. In 2015, the Central Committee of the Communist Party of China and the PRC State Council promulgated several policies including Made in China 2025 (中國製造2025), Proposal on Formulating the Thirteenth Five-year Plan on National Economic and Social Development (中共中央關於制定國民經濟和社會發展第十三個五年規劃的建議) and Several Opinions on Deepening Reform of Systems and Mechanisms and Accelerating the Implementation of the National Strategy on Innovation-Driven Development (關於深化體制機制改革加快實施創新驅動發展戰略的若干意見). The policies have made development of high-end medical devices into the strategic planning of building a strong manufacturing country, proposed to gather social resources under the Government's guidance, and promoted rapid development of 10 advantageous and strategic industries including biomedical and high-performance medical devices, which favor the improvement of the entire medical device business environment, and bring tremendous encouragement to domestic medical device manufacturers. Meanwhile, the deepening medical and health system reforms, the emphasis over the efficiency of medical insurance and the uncertainties of medical device tendering policy among provinces and cities have a profound impact on the industry and brought challenges to the industry together with opportunities.

The Group is leveraging on its market leader position in medical device industry and its R&D capabilities to seize the opportunities as well as to actively cope with the challenges in the industry. By optimizing products, diversifying products portfolio and further expanding the distribution networks of major business, the Group is well prepared to adapt to the industry reform and upgrade under the economic new normal.

Business Review

During the year ended December 31, 2015, the Group's revenue, profit before tax and profit attributable to the owners of the Company were RMB 633.9 million, RMB253.3 million and RMB208.6 million, respectively, representing an increase of 4.2%,19.9% and 18.1% over 2014, respectively. The Group recorded a gross profit of RMB476.0 million during the year ended December 31, 2015, representing an increase of 7.5% over 2014. The overall gross profit margin was 75.1% (2014: 72.8%).

With an increasing market size of medical device products, the Group has continued to expand market penetration and sales network of its three business segments, strengthen its product diversification and characterization through innovating and developing products with new features and functions, in order to reinforce the Group's market leadership in various segments of medical device industry.

After the acquisition of Regenerative Medical Biomaterial Business in August 2014, by virtue of efficient integration and R&D investment, the Groups has been actively seeking to expand the application of regenerative medical biomaterial products into new areas, such as general surgery and dental surgery, in addition to the original fields of neurosurgery and craniofacial surgery. There is a series of products under development for this purpose, among which the anti-adhesion membrane for ligament and tendons was the first one being successfully launched in 2015, expanding the application of regenerative medical biomaterials into the field of trauma and sport injury treatments. Meanwhile, the development of other regenerative medical biomaterial products showed various progresses. The clinical trials of the oral cavity repair membrane and the second generation of artificial dura mater have been making noteworthy progress during the year ended December 31, 2015, and are both expected to be completed during the year of 2016.

In relation to Infusion Set Business, the Group continued to put focus on delivering products for safer and more effective infusion therapy. With continuous improvement, the advance infusion products are equipped with a series of new features and functions, which can provide a better and safer infusion user experience to patients. Among the limited number of players of non-PVC infusion sets, we maintained the leading position with a variety of non-PVC infusion set products that are far more comprehensive and diversified in function and attributes comparing to most of the other non-PVC infusion set brand names. As for Orthopedic Implant Business, apart from optimizing current products, the Group has also continuously designed and developed high-end materials to diversify product portfolio, provide comprehensive solution to hospitals and fulfill different treatment needs of patients.

The Group has considered R&D as an important impetus to seize market opportunities of industry upgrades and domestic medical device market development. During the year ended December 31, 2015, through ongoing development of R&D team and close cooperation with hospitals, universities and other research institutions for production, education and research, the Group has accurately grasped the China market demands, thereby further consolidating the leading position of the medical device market by means of featured products. (For further details of the Group's R&D projects and product pipeline, please refer to the discussion under the section of Management Discussion and Analysis.)

During the year ended December 31, 2015, the Group has consistently expanded sales network in response to the ever changing market needs. In relation to the Regenerative Medical Biomaterial Business and Infusion Set Business, the Group has continued to focus initially on Class III hospitals in larger-than-average cities in more developed regions of China, and then penetrate into smaller hospitals and cities. For the Orthopedic Implant Business, the Group has continued to focus on expanding its business with Class II hospitals in the second and third tier cities. Certain restructuring measures have been implemented for the sales teams among different business lines since 2014 so as to improve overall sales force efficiency.

Future Prospects

As a leader in the medical device industry of China, with the benefits driven by the favorable government policy and market potential, the Group will continue to drive business growth through R&D and innovation, provide patients with comprehensive solution through the ever-growing marketing-oriented products, improve market penetration and enterprise awareness through marketing and sales team management, and increase market share through the synergy among R&D, sales and marketing of our businesses. Meanwhile, the Group will continue to focus on the high-growth and high-margin segments of medical device market, identify potential acquisition targets with reasonable valuation, and enhance the Group's overall operational efficiency and profitability through an efficient integration of the business.

Appreciation

On behalf of the Board, I would like to extend my heartfelt gratitude to all the respected Shareholders. PW Medtech will seize the opportunities presented by the development of the medical device industry to achieve sustainable business growth and improve management and operation efficiency, and to maximize return to the Shareholders in the long run.

Chairman of the Board
Yue'e ZHANG

March 29, 2016

Corporate Information

Board of Directors

Executive Directors

Ms. Yue'e ZHANG *(Chairman)*
Mr. JIANG Liwei *(CEO)*

Non-executive Director

Mr. LIN Junshan

Independent Non-executive Directors

Mr. ZHANG Xingdong
Mr. CHEN Geng
Mr. WANG Xiaogang

Company Secretary

Ms. SO Yee Kwan, *ACS, ACIS*

Authorised Representatives Under the Listing Rules

Mr. JIANG Liwei
Ms. SO Yee Kwan

Audit Committee

Mr. WANG Xiaogang *(Chairman)*
Mr. LIN Junshan
Mr. CHEN Geng

Remuneration Committee

Mr. CHEN Geng *(Chairman)*
Mr. LIN Junshan
Mr. ZHANG Xingdong

Nomination Committee

Ms. Yue'e ZHANG *(Chairman)*
Mr. WANG Xiaogang
Mr. ZHANG Xingdong

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Registered Office

The Grand Pavilion Commercial Centre
Oleander Way, 802 West Bay Road
P.O. Box 32052
Grand Cayman KY1-1208
Cayman Islands

Headquarters and Principal Place of Business in the PRC

1002-1003, Block C, Focus Square
No. 6 Futong East Avenue
Wangjing, Chaoyang District
Beijing, PRC

Principal Place of Business in Hong Kong

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

China CITIC Bank
Wanliu Branch
5–32, Xing Biao Garden
Wanliu Central Road
Haidian District
Beijing, PRC

Agricultural Bank of China
Badachu Branch
1 Shixing Road
Shijingshan District
Beijing, PRC

Hong Kong Legal Advisor

Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F, Jardine House
1 Connaught Place, Central
Hong Kong

Principal Share Registrar and Transfer Office

Appleby Trust (Cayman) Ltd.
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code and Board Lot

Stock code: 1358
Board lot: 1,000

Website

www.pwmedtech.com

Profile of Directors and Senior Management

Below are the brief profiles of the current Directors and senior management of the Group.

Directors

The Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Ms. Yue'e ZHANG (張月娥)	52	Chairman and executive Director	May 13, 2011
Mr. JIANG Liwei (姜黎威)	48	CEO and executive Director	June 21, 2013
Non-executive Director			
Mr. LIN Junshan (林君山)	53	Non-executive Director	June 21, 2013
Independent non-executive Directors			
Mr. ZHANG Xingdong (張興棟)	78	Independent non-executive Director	October 14, 2013
Mr. CHEN Geng (陳庚)	45	Independent non-executive Director	October 14, 2013
Mr. WANG Xiaogang (王小剛)	42	Independent non-executive Director	October 14, 2013

Executive Directors

Ms. Yue'e ZHANG (張月娥), aged 52, is the chairman of the Board, an executive Director and the chairman of the Nomination Committee. She is also a director of certain subsidiaries of the Company. In addition to her roles with our Group, Ms. ZHANG currently serves as the general manager, senior engineer and executive director of WP Medical Technologies, Inc. and she is also an early founder of Lepu Medical Technology (Beijing) Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300003). Ms. ZHANG has worked in the medical device industry for over 20 years and has accumulated considerable experience in product design, R&D, and management and investment. Ms. ZHANG graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in materials science and engineering in July 1985, and later received two master's degrees relating to materials science and management from Xi'an University of Technology (西安理工大學) and Florida International University in July 1988 and April 1996, respectively. Ms. ZHANG is the daughter of Ms. Yufeng LIU (the ultimate controlling Shareholder who wholly owns Cross Mark Limited, the controlling Shareholder).

Mr. JIANG Liwei (姜黎威), aged 48, is the CEO and an executive Director. He is also a director of certain subsidiaries of the Company. Mr. JIANG has over 20 years of management experience in the medical device industry. Prior to joining our Group in February 2013, Mr. JIANG was the head of China for Biomet China Co., Ltd. (邦美(上海)商貿有限公司) from 2008 to 2013 and the general manager of Trauson (China) Medical Instrument Co., Ltd. (創生醫療器械(中國)有限公司) from 2005 to 2008. He also held various management positions with Zimmer (Shanghai) Medical International Trading Co., Ltd. (捷邁(上海)醫療國際貿易有限公司) from 1999 to 2005 and Smith & Nephew Medical (Shanghai) Limited (施樂輝醫用產品國際貿易(上海)有限公司) from 1997 to 1999. Mr. JIANG was a resident doctor for a few years upon graduation from Shanghai Second Medical University (上海第二醫科大學) (now School of Medicine, Shanghai Jiaotong University (上海交通大學醫學院)) with a bachelor's degree in clinical medicine in July 1991.

Non-executive Director

Mr. LIN Junshan (林君山), aged 53, is a non-executive Director and a member of both the Audit Committee and the Remuneration Committee. Mr. LIN joined the Group as a director of Walkman Biomaterial in April 2010. He is also a director of certain subsidiaries of the Company. Before joining our Group, Mr. LIN was a chief engineer and professoriate senior engineer of CSR Qingdao Sifang Co., Ltd. (南車青島四方機車車輛股份有限公司) (formerly known as "CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.") from January 2007 to June 2013. After graduation from Xi'an Jiaotong University (西安交通大學) with a doctorate degree in materials science and engineering in March 1990, Mr. LIN held various research positions in Shanghai Jiaotong University (上海交通大學), Osaka University (Japan) and Hitachi Mechanical Engineering Research Laboratory (now Hitachi Research Laboratory), Hitachi Ltd. from April 1990 to December 2006.

Independent Non-executive Directors

Mr. ZHANG Xingdong (張興棟), aged 78, is an independent non-executive Director and a member of both the Remuneration Committee and the Nomination Committee. Mr. ZHANG is a professor at Sichuan University (四川大學), and an Academician of the Chinese Academy of Engineering (中國工程院院士). He also serves as President-Elect of the International Union of Societies for Biomaterials Science and Engineering (IUSBSE) (appointed in 2016), Director of the CFDA Executive Committee on the Classification of Medical Devices (appointed in 2015), and Director of National Technical Committee 248 on Biological Evaluation on Medical Device of Standardization. He has more than 10 honorary titles, including Foreign Member of the U.S. National Academy of Engineering (美國國家工程院外籍院士), IUSBSE Fellow of Biomaterials Science and Engineering, Fellow of the American Institute of Medical and Biological Engineering (appointed in 2015) etc. Mr. ZHANG ceased to be the president of the Chinese Society for Biomaterials (中國生物材料學會理事長) and the chairman of National Technical Committee on Dental Materials and Devices of Standardization. Mr. ZHANG has been dedicated to the research & development, and commercialization of tissue inducing biomaterials products and medical implants such as dental implants, osteoinductive synthetic bone, and artificial hip joints for more than 30 years. His research has received numerous awards, such as National Science and Technology Progress Award, National Natural Science Award, and Clemson Award for Applied Research. Mr. ZHANG graduated from Sichuan University with a bachelor's degree in solid state physics in 1960.

Mr. CHEN Geng (陳庚), aged 45, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. CHEN has been the vice president of Peking University Resources (Holdings) Company Limited (name changed from "EC-Founder (Holdings) Company Limited" on October 25, 2013; a company listed on the Main Board of the Stock Exchange, stock code: 618) since May 2013. He served as EC-Founder (Holdings) Company Limited's executive president from 2005 to 2006 and executive director from 2006 to May 2013. He was also an executive director of Founder Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 418) from 2006 to 2011, the vice president of New Auto Group (新奧特集團) from 2004 to 2005 and had worked in various investment firms in the PRC, garnering extensive experience in finance and management. Mr. CHEN has obtained the qualification of senior economist (高級經濟師) from China State Construction Engineering Corporation Limited (中國建築工程總公司) in October 2010. He graduated from Northwest University (西北大學) with a bachelor's degree in administrative management in July 1993 and later received an EMBA degree from Guanghua School of Management, Peking University (北京大學光華管理學院) in January 2005.

Mr. WANG Xiaogang (王小剛), aged 42, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee. Mr. WANG served as a managing director of China Aerospace Industry Investment Fund Management (Beijing) Co., Ltd. (航天產業投資基金管理(北京)有限公司) from February 2011 to August 2014. He was previously a partner at PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (普華永道諮詢(深圳)有限公司) ("PricewaterhouseCoopers Consulting"), where his work focused primarily on financial advisory on investment, merger and acquisition related transactions. He joined PricewaterhouseCoopers Consulting in 1997. Mr. WANG obtained the qualification of Certified Public Accountant from Beijing Institute of Certified Public Accountants (北京註冊會計師協會) in June 1997 and the qualification to practice law in the PRC from the Ministry of Justice (司法部) in February 2007. Mr. WANG graduated from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) (now Hangzhou Dianzi University (杭州電子科技大學)) with a bachelor's degree in accounting in July 1995, and later received a master's degree in investment management from Sir John Cass Business School of The City University London in March 2004.

Senior Management

The following table presents certain information concerning the senior management of our Group:

Name	Age	Year Joined	Position
Mr. JIANG Liwei (姜黎威)	48	2013	CEO and executive Director
Mr. WANG Jie (王傑)	42	2012	Chief financial officer
Mr. HUA Wei (華煒)	45	2011	Vice president
Mr. CHEN Yikun (陳怡琨)	39	2014	Vice president

Mr. JIANG Liwei (姜黎威), aged 48, is the CEO and an executive Director. His biographical details are set out above under the section headed "Profile of Directors and Senior Management — Executive Directors" in this annual report.

Mr. WANG Jie (王傑), aged 42, is the Company's chief financial officer, responsible for the financial management of our Group. Mr. WANG has almost 20 years of experience in financial management. Prior to joining our Group in May 2012 as Fert Technology's financial controller, he had held various financial and accounting positions in companies such as China Express Co., Ltd. (中經匯通有限責任公司) as its chief financial officer from 2009 to 2012, Shenzhen PARKnSHOP Superstore Co., Ltd. (深圳百佳超市有限公司) from 2006 to 2009, Shanghai Yongle Household Appliances Co., Ltd. (上海永樂家電有限公司) (now acquired by GOME Group (國美電器集團)) in 2005, and East Hope Group (東方希望集團) from 1997 to 2003. Mr. WANG graduated from Sichuan College of Commerce (四川省商業高等專科學校) with a diploma in accounting in June 1994, and received a diploma in financial management from Zhongnan University of Economics and Law (中南財經政法大學) in September 2009. Mr. WANG obtained the qualification of senior accountant (高級會計師) from Guangdong Bureau of Human Resources and Social Security (廣東省人力資源和社會保障廳) in August 2009.

Mr. HUA Wei (華煒), aged 45, is the Company's vice president. Prior to joining our Group in April 2011 as Fert Technology's general manager, Mr. HUA had served as an executive assistant general manager and general manager of Zhongguancun Development Hi-Tech Incubator Co., Ltd (中關村興業(北京)高科技孵化器股份有限公司) from 2002 to 2011. Mr. HUA also held various managing positions with the branch companies of Xinjiang Securities Corporation Limited (新疆證券有限責任公司) from 1995 to 2001. Mr. HUA started his career with the Shihezi branch of the People's Bank of China (中國人民銀行石河子市分行) in 1991. Mr. HUA graduated from Changchun College of Finance (長春金融專科學校) with a diploma in finance in July 1991, and received an MBA degree from Renmin University of China (中國人民大學) in January 2009.

Mr. CHEN Yikun (陳怡琨), aged 39, is the Company's vice president. Prior to joining our Group in January 2014, Mr. CHEN was a senior manager at PricewaterhouseCoopers LLP and has over 10 years of experience in assurance and advisory practice. From 2005 to 2006, Mr. CHEN served as a project manager in merger and acquisition in China Resources Petrochems (Group) Co., Ltd. before he rejoined PricewaterhouseCoopers LLP in 2006. Before joining PricewaterhouseCoopers LLP in 2001, Mr. CHEN served as an accounting supervisor of Hutchison Whampoa Properties (Shenzhen) Co., Ltd from 1998 to 2001. Mr. CHEN is a fellow member of the Association of Chartered Certified Accountants, and a member of the Chinese Institute of Certified Public Accountants. Mr. CHEN graduated from Shantou University (汕頭大學) with a bachelor's degree in economics in July 1998.

Management Discussion and Analysis

Business and Market Review for Year 2015

For the year ended December 31, 2015, in face of increasing downward pressure, China's economy decelerated to a GDP growth rate of 6.9%. However, with the growing aging population, increasing residents' awareness of public health services and the Chinese government's accelerating optimization and upgrade of the medical device industry, there is potential for demand of quality medical devices and services and opportunities for industry growth. In 2015, the Central Committee of the Communist Party of China and the PRC State Council promulgated several policies including Made in China 2025 (中國製造2025), the Proposal on Formulating the Thirteenth Five-year Plan on National Economic and Social Development (關於制定國民經濟和社會發展第十三個五年規劃的建議) and Several Opinions on Deepening Reform of Systems and Mechanisms and Accelerating the Implementation of the National Strategy on Innovation-Driven Development (關於深化體制機制改革加快實施創新驅動發展戰略的若干意見). These policies have made development of high-end medical devices into the strategic planning of building a strong manufacturing country, proposed to gather social resources under the government's guidance, and promoted rapid development of 10 advantageous and strategic industries including biomedical and high-performance medical devices, which favor the improvement of the entire medical device business environment, and bring tremendous encouragement to domestic medical device manufacturers. Meanwhile, the deepening medical and health system reforms, the emphasis over the efficiency of medical insurance and the uncertainties of medical device tendering policy among provinces and cities have a profound impact on the industry. With these factors, China medical device industry is experiencing a development with both opportunities and challenges.

PW Medtech is a leading medical device company with focus on fast-growing and high-margin segments of China's medical device industry. As one of the leading domestic companies in the (i) Regenerative Medical Biomaterial Business, (ii) Infusion Set Business and (iii) Orthopedic Implant Business in China, the Company is well aware of the opportunities and challenges presented by its own competitive strengths and distinctive characteristics. In 2015, the Group continued further expanding its product portfolio and production capacity, enhancing its innovation and R&D capabilities, and extending distribution networks, so as to reinforce its market leading position and cope with the challenges.

In 2015, the Group's revenue, profit before tax and profit attributable to the owners of the Company were RMB633.9 million, RMB253.3 million and RMB208.6 million, respectively, representing an increase of 4.2%, 19.9% and 18.1% over 2014, respectively. The Group recorded a gross profit of RMB476.0 million during the year ended December 31, 2015, representing an increase of 7.5% over 2014. The overall gross profit margin was 75.1% (2014: 72.8%).

During the year ended December 31, 2015, the Regenerative Medical Biomaterial Business, the Infusion Set Business and the Orthopedic Implant Business contributed approximately 33.1%, 47.5% and 19.4% of the Group's revenue, respectively.

Business Strategies and Future Outlook

In order to fully seize the opportunities in medical device markets, the Group will continue to broaden its product portfolio by strengthening its R&D efforts and seeking opportunities of expansion into new businesses through merger and acquisition.

For Regenerative Medical Biomaterial Business, as a top player in the field of artificial dura mater in China, which is a key regenerative medical biomaterial product line, the Group has committed to increasing R&D investment, improving innovation capability, promoting industrialization and technological enhancement. In 2015, the Group successfully launched the anti-adhesion membrane for tendon and ligament, which has high market potential in the field of hand surgery, especially for trauma surgeries and sport injury treatments. The clinical trials of the oral cavity repair membrane and the second generation of artificial dura mater have been making noteworthy progress during the year ended December 31, 2015 and are both expected to be completed during the year of 2016. It is expected that the oral cavity repair membrane will expand the application of the Group's regenerative medical biomaterial products into new areas of oral and maxillofacial surgery. The second generation of artificial dura mater is expected to bring more benefits to the patients and meanwhile further reinforce our leadership in the fields of craniotomy operations and neurosurgery. The development of a number of new regenerative biomaterial products for different new areas, such as ophthalmology, oral surgery and orthopedic surgery, also had positive progress in 2015. We expect to start the clinical trials for the development of some of these new products in 2016. In addition, we also started the distribution of state-of-the-art interventional neurosurgery products in the later half of 2015 to provide better services and a total solution to the physicians and patients.

With regard to the Infusion Set Business, the Group has been developing a series of new products so as to provide safer and more accountable devices for infusion therapy and further strengthen our leading position in the market of advanced infusion medical devices. On one hand, we are working on adding a series of new features and functions to our existing comprehensive non-PVC-based infusion sets and precision filter infusion sets to enhance safety as well as nurses' and patients' usage experiences. On the other hand, we have also been accelerating the registration and launch of other brand new products other than infusion sets, for example, the disposable intravenous cannula (留置針), so as to provide a more comprehensive product portfolio.

The Orthopedic Implant Business has made progresses with the Group's continued research on perfecting the three main product categories: trauma products, spine products and joint products. The Group continues to work on both the initial introduction of brand new products and the improvement of existing products. For trauma implants, we continue to further improve the bridge-link combined fixation system, of which the initial generation products were commercially launched in 2012. To satisfy varied patient demands for the spine, hip and knee implants, the Group also continues to develop advanced materials and devise new products, for example, the trabecular metal, a product used for the treatment of osteonecrosis of femoral head.

Emphasis on Innovation and R&D

As a leader in the development of innovative products, the Group currently possesses an experienced R&D team comprising approximately 100 members, which cooperates closely with surgeons, hospitals (especially Class III hospitals), first class university research centers and other research institutions. As at December 31, 2015, the Group has obtained 109 patents, including 13 in the area of regenerative medical biomaterial products, 46 for advanced infusion set products and 50 for orthopedic implant products. Further, the Group has 39 ongoing applications for new patents. The Group will continue to invest in product innovation and R&D to maintain and reinforce its leading position in the industry.

Expansion of Distribution Network

The Group currently has three experienced and dedicated sales and marketing teams to support and consolidate nationwide distribution networks and strengthen product promotion for its three business segments. Approximately 50% of our sales and marketing staff have medical training background, which helps them to communicate with doctors and nurses in a succinct and effective manner. The Group's key salespersons in each business segment have an average of 10 years' experience in their respective areas.

Certain restructuring measures have been implemented for the sales teams among different business lines since 2014 so as to improve overall sales force efficiency.

Strategic Acquisitions

Despite the challenges caused by valuation inflation in the medical device industry in mainland China, the Group continues to seek fast-growing, high-margin and high-potential opportunities within or outside our current business segments. Meanwhile, the Group is seeking possible targets, such as opportunities that lie in overseas intellectual properties, for consideration of acquisition.

Financial Review

Overview

	For the year ended December 31,		
	2015 RMB'000 (except for EPS)	2014 RMB'000 (except for EPS)	Change %
Revenue			
— Regenerative Medical Biomaterial Business	**210,088**	79,511	164.2%
— Infusion Set Business	**300,793**	362,788	–17.1%
— Orthopedic Implant Business	**122,993**	165,760	–25.8%
Total revenue	**633,874**	608,059	4.2%
Gross Profit	**475,985**	442,889	7.5%
Earnings before interests, tax, depreciation and amortization	**314,883**	266,453	18.2%
Earnings before interests and tax	**254,547**	227,066	12.1%
Unaudited adjusted net profit (excluding share-based compensation expenses, and merger and acquisition costs)	**207,126**	204,678	1.2%
Profit for the year/profit attributable to owners of the Company	**208,582**	176,630	18.1%
Basic EPS (RMB cents)	**12.45**	10.57	17.8%
Diluted EPS (RMB cents)	**12.31**	10.30	19.5%

Revenue

The revenue of the Group increased by 4.2% from RMB608.1 million in 2014 to RMB633.9 million in 2015, as a result of the increase in the sales of the Regenerative Medical Biomaterial Business offset by the decrease in the sales of the other two segments.

Revenue from the Regenerative Medical Biomaterial Business for the year ended December 31, 2015 amounted to approximately RMB210.1 million. For the comparative year ended December 31, 2014, the Group consolidated the result of this business segment from August 1, 2014, upon the completion of the relevant acquisition. Revenue from the Regenerative Medical Biomaterial Business for the five-month period ended December 31, 2014 (the period after the completion of the acquisition during the year of 2014) amounted to approximately RMB79.5 million. Comparing to the revenue from the Regenerative Medical Biomaterial Business as recorded in the unaudited management accounts of the relevant subsidiaries prepared under HKFRS for the year ended December 31, 2014, the Regenerative Medical Biomaterial Business revenue for the year ended December 31, 2015 had increased by 19.5% on a year-on-year basis. The increase was mainly contributed by the increase in sales volume as a result of increased market demand and the Group's expansion of sales network.

Revenue from the Infusion Set Business amounted to approximately RMB300.8 million for the year ended December 31, 2015, representing a decrease of 17.1% from approximately RMB362.8 million for the year ended December 31, 2014. Revenue from the Orthopedic Implant Business amounted to RMB123.0 million for the year ended December 31, 2015, representing a decrease of 25.8% from approximately RMB165.8 million for the year ended December 31, 2014. The decreases in these two segments were mainly due to decreases in sales volume of both advance infusion sets and orthopedic implants. The restructuring being implemented to the sales forces also prolonged the time for these segments to recover. However the management believes this negative trend is temporary and has confidence in the promising prospect of the Infusion Set Business and the Orthopedic Implant Business.

Gross Profit

The Group's gross profit increased by 7.5% from approximately RMB442.9 million in 2014 to approximately RMB476.0 million in 2015. The gross profit margin increased from 72.8% in 2014 to 75.1% in 2015, which was primarily attributable to the increased proportion of revenue generated from the Regenerative Medical Biomaterial Business, which has a higher gross margin comparing to other business segments.

The gross profit margin rate of the Regenerative Medical Biomaterial Business during the year slightly increased to 85.8% from 85.1% for the prior year due to the economies of scale with an increased output. The gross profit of the Regenerative Medical Biomaterial Business included effect of the additional cost of sales from the amortisation of the intangible assets of technology know-how, the additional amortisation of land use right valuation surplus and the depreciation of property, plant and equipment valuation surplus identified and recorded in the Group's consolidated financial statements during the purchase accounting process under HKFRSs, which was amounted to RMB21.1 million for the year ended December 31, 2015 (RMB8.8 million for the post acquisition period of five months ended December 31, 2014). By excluding the effect of above mentioned additional amortisation and depreciation resulted from the purchase accounting process under HKFRSs so as to be at a comparable basis with this segment's pre-acquisition performance, the unaudited gross profit rate of the Group's Regenerative Medical Biomaterial Business would have been 95.9% (Post acquisition period in 2014: 96.2%).

The gross profit margin rate of the Infusion Set Business during the year slightly decreased to 68.2% from 68.8% for the prior year, and the gross profit margin rate of the Orthopedic Implant Business decreased to 73.5% from 75.9% for the prior year, mainly due to the product mix changes with less sales of higher margin products.

Selling Expenses

Selling expenses increased by 6.7% from approximately RMB94.2 million in 2014 to approximately RMB100.5 million in 2015. This increase was largely in line with the increase in overall sales, mainly attributable to the additional selling expense incurred by the Regenerative Medical Biomaterial Business with a longer consolidation period during the year ended December 31, 2015, offset by the savings of certain direct selling expenses as a result of sales decrease in the Infusion Set Business and the Orthopedic Implant Business.

Administrative Expenses

Administrative expenses decreased by 6.2% from approximately RMB108.0 million in 2014 to approximately RMB101.3 million in 2015. The overall decrease of approximately RMB6.7 million was the result of the following factors:

- The share-based compensation cost decreased by RMB25.6 million, from RMB24.1 million in the prior year to the reversal of RMB1.5 million for the year ended December 31, 2015. According to the principal terms of the Pre-IPO Share Option Scheme approved by resolution of our Shareholders passed on July 3, 2013 and amended by resolution of our Shareholders passed on October 14, 2013, the options under the Pre-IPO Share Option Scheme shall vest in four equal tranches (being 25% of each option granted, and each tranche is hereinafter referred to as a "Tranche") on the four dates (day immediately following the expiry of 6 months after November 8, 2013 (the "First Vesting Date"); first anniversary of the First Vesting Date (the"Second Vesting Date"); second anniversary of the First Vesting Date (the"Third Vesting Date") and third anniversary of the First Vesting Date (the"Last Vesting Date")), respectively, with performance conditions. Details of the Pre-IPO Share Option Scheme were disclosed in the Prospectus. Pursuant to the principal terms of the Pre-IPO Share Option Scheme, certain performance conditions in respective fiscal years should be met before the vesting of share options. Share-based compensation expenses recognised in relation to the third Tranche (4 Tranches in total) were reversed given that certain performance conditions in relation to the year ended December 31, 2015 were not met.

- Certain merger and acquisition costs amounted to approximately RMB3.9 million in the prior year was non-recurring in nature.

- The provision for impairment of receivables increased by RMB13.7 million to approximately RMB12.7 million for the year ended December 31, 2015, comparing to a reversal of RMB1.0 million in the prior year. The significant increase in provision for impairment of receivables was mainly due to the provision of approximately RMB11.5 million provided for the overdue outstanding receivable from the disposal of an Orthopedic Implant Business subsidiary, which was completed in September 2013.

- The amount of administrative expenses from the Regenerative Medical Biomaterial Business increased as it was fully consolidated for the year ended December 31, 2015.

R&D Expenses

R&D expenses increased by 2.2% from approximately RMB35.2 million in 2014 to approximately RMB36.0 million in 2015, mainly due to the increased investment in R&D and was largely in line with the increase in revenue.

Finance Income/Costs — Net

The Group had a net finance income of RMB5.3 million for the year ended December 31, 2015, comparing to the net finance costs of RMB2.4 million in 2014. The finance income decreased from RMB22.2 million in 2014 to RMB6.3 million during the year ended December 31, 2015, mainly as a result of the decrease in the total balance of the interest generating assets including cash and cash equivalents, term deposits and restricted cash. The finance cost decreased from RMB24.7 million in 2014 to RMB0.9 million during the year ended December 31, 2015, as the Group repaid all the borrowings in first half of 2015 and had no other material interest bearing liabilities.

Income Tax Expense

For the year ended December 31, 2015, income tax expense amounted to approximately RMB44.7 million, increased by approximately RMB10.0 million as compared with the corresponding period last year, which is largely in line with the increase in profit before tax. The effective tax rate increased slightly from 16.4% for the corresponding period last year to 17.7% in 2015. The main reason for the increase of effective tax rate was decrease of profit from certain subsidiaries with preferential income tax rate of 15%.

Net Profit and Unaudited Adjusted Net Profit

For the foregoing reasons, the net profit of the Group in 2015 increased by 18.1%, from approximately RMB176.6 million in 2014 to RMB208.6 million in 2015.

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also used unaudited adjusted net profit as an additional financial measure to evaluate our financial performance. Our unaudited adjusted net profit in 2015, derived by excluding the reversal of share-based compensation expenses of approximately RMB1.5 million (2014: non-operational and one-off items comprising the merger and acquisition costs of approximately RMB3.9 million and the share-based compensation expenses of approximately RMB24.1 million) together with the corresponding income tax expense, was approximately RMB207.1 million, which represented an increase by 1.2% over approximately RMB204.7 million in 2014.

Trade and Other Receivables

The Group's trade receivables were primarily the outstanding proceeds from credit sales.

As of December 31, 2015, the trade and other receivables of the Group, including both current and non-current portion, were approximately RMB381.7 million, representing an increase of approximately RMB10.5 million, as compared to approximately RMB371.2 million as of December 31, 2014. The increase was mainly due to the increase in trade receivables resulting from the prolonged credit period for sales made to hospitals and distributors.

Inventories

Inventories slightly increased by 22.6%, from approximately RMB101.1 million as of December 31, 2014 to approximately RMB124.0 million as of December 31, 2015. The increase of inventories was mainly due to the increase in finished goods for meeting the potential market demand.

Property, Plant and Equipment

Property, plant and equipment included buildings, machinery and equipment and construction under progress. As of December 31, 2015, the property, plant and equipment of the Group amounted to approximately RMB659.3 million, representing an increase of approximately RMB269.7 million, as compared to approximately RMB389.6 million as of December 31, 2014. The increase was primarily due to the acquisition and construction of new facilities and production lines to expand production facilities.

Intangible Assets

The Group's intangible assets mainly include goodwill, technology know-how, trademarks, computer software and customer relationship. The Group's goodwill, technology know-how and trademarks are mainly identified and recorded during the purchase accounting process for the acquisitions of subsidiaries. The goodwill is subject to impairment test at each period end, while the technology know-how and trademarks are amortized with straight line method for 15 years. As of December 31, 2015, the net value of the Group's intangible assets was RMB967.8 million, representing a decrease of RMB27.1 million as compared to RMB994.9 million as of December 31, 2014. The decrease was primarily due to the amortisation of the intangible assets during the year ended December 31, 2015.

Financial Resources and Liquidity

As at December 31, 2015, the Group's cash and bank balances amounted to approximately RMB288.2 million (2014: RMB153.8 million), the Group's term deposits amounted to approximately RMB40.0 million (2014: Nil) and the Group had no restricted cash balances (2014: RMB260.0 million). As at December 31, 2015, the Group's bank borrowing balances was nil (2014: RMB75.0 million).

The Board is of the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Pledge of Assets

The Group has not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. It does not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or R&D or other services with it.

Commitments

As of December 31, 2015, the Group has a total capital commitment of approximately RMB175.5 million (2014: RMB24.5 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

Contingent Liabilities

There is no material contingent liability as at December 31, 2015 (2014: Nil).

Capital Expenditure

During the year ended December 31, 2015, the Group incurred expenditure of RMB22.7 million on the purchase of property, plant and equipment; expenditure of RMB283.8 million on the construction under progress including facilities and production lines.

Gearing Ratio

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 consolidated balance sheet plus amounts due to related parties of non-trading nature. Total capital is calculated as "total equity" as shown in the consolidated balance sheet plus total borrowings.

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Total borrowings	**—**	75,000
Total equity	**2,298,665**	2,111,326
Total capital	**2,298,665**	2,186,326
Gearing ratio	**—**	3.43%

Foreign Exchange Risk

The Group mainly operates its business in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. 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 year. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

All of the Group's bank borrowings and restricted cash are denominated in RMB. The currencies in which the cash and cash equivalents are denominated have been disclosed in Note 18 to the Group's consolidated financial statements.

Cash Flow and Fair Value Interest Rate Risk

Other than bank balances with variable interest rates, the Group has no other significant interest-bearing assets. Management does not anticipate any significant impact to interest-bearing assets resulting 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. Borrowings issued at variable rates exposed the Group to cash flow interest rate risk, which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates exposed the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risks.

Credit Risk

The carrying amounts of cash and cash equivalents, restricted cash, term deposits and trade and other receivables 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 problems. 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 in China, or public listed companies. Most of the bank deposits of the Group are placed with financial commercial banks with an acceptable 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 counterparty operates. Monitoring procedures have been implemented to ensure that 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 the year to ensure adequate impairment losses are made for irrecoverable amounts.

Corporate Governance Report

The Board has committed to maintaining good corporate governance standards. The Board believes that good corporate governance standards are essential in providing framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Board considers that during the year ended December 31, 2015, the Company has applied the principles and complied with the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarized below.

A. The Board

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and Shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as the advice and services of the senior management and the Company Secretary, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The composition of the Board during the year ended December 31, 2015 and up to the date of this report is as follows:

Executive Directors:	
Ms. Yue'e ZHANG (Note 1)	*(Chairman of the Board and Chairman of the Nomination Committee)*
Mr. JIANG Liwei	*(CEO)*
Non-executive Directors:	
Mr. LIN Junshan (Notes 1 & 3)	*(Member of both the Audit Committee and Remuneration Committee)*
Mr. FANG Min (Notes 2 & 3)	*(Former Director and Former Member of the Remuneration Committee)*
Mr. FENG Dai (Note 2)	*(Former Director and Former Member of the Remuneration Committee)*
Independent non-executive Directors:	
Mr. ZHANG Xingdong	*(Member of both the Remuneration Committee and the Nomination Committee)*
Mr. CHEN Geng	*(Chairman of the Remuneration Committee and Member of the Audit Committee)*
Mr. WANG Xiaogang	*(Chairman of the Audit Committee and Member of the Nomination Committee)*

Notes:

1. With effect from February 3, 2015:

   (i) Ms. Yue'e ZHANG has been re-designated from a non-executive Director to an executive Director;

   (ii) Ms. Yue'e ZHANG has been appointed as the chairman of the Board and the chairman of the Nomination Committee in place of Mr. LIN Junshan; and

   (iii) Mr. LIN Junshan has been appointed as a member of the Audit Committee in place of Ms. Yue'e ZHANG.

2. With effect from March 20, 2015, Mr. FENG Dai has resigned and Mr. FANG Min has been appointed as a non-executive Director and a member of the Remuneration Committee.

3. With effect from August 25, 2015:

   (i) Mr. FANG Min has resigned as a non-executive Director and a member of the Remuneration Committee; and

   (ii) Mr. LIN Junshan has been appointed as a member of the Remuneration Committee.

Throughout the year ended December 31, 2015, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with one of them, being Mr. WANG Xiaogang, possessing appropriate professional qualifications and accounting and related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. Each executive Director is responsible for different businesses and functional divisions of the Group in accordance with his/her expertise. The non-executive Director(s) scrutinize(s) the performance of management in achieving agreed corporate goals and objectives and monitor the Group's performance reporting. The independent non-executive Directors bring different businesses and financial expertise, experiences and independent judgement to the Board and they constitute the majority of each of the Board committees of the Company. Through participation in Board meetings and taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

To the best knowledge of the Directors, the Directors and senior management have no financial, business, family or other material/relevant relationships with one another. The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent with reference to the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive

The roles and duties of the chairman of the Board and the CEO are held by separate persons and have been clearly defined in writing in order to ensure a balance of power and authority and preserve a balanced judgement of views. Currently, Ms. Yue'e ZHANG (formerly Mr. LIN Junshan who had acted as the chairman of the Board until February 2, 2015) takes up the role of chairman of the Board and is responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner whereas Mr. JIANG Liwei is the CEO, taking care of the day-to-day management of the Group's business and implementing the Group's policies, strategic plans and business goals formulated by the Board.

A4. Appointment and Re-election of Directors

All Directors are appointed for a specific term, subject to renewal upon expiry of the existing term. Ms. Yue'e ZHANG is appointed for a term of 3 years commencing from February 3, 2015 pursuant to her appointment letter while Mr. JIANG Liwei is engaged on a service agreement from October 14, 2013 (the date of the contract) to the date of the Company's 2016 AGM. All the non-executive Directors (including the independent non-executive Directors) are appointed for a term of 3 years from their respective appointment dates pursuant to their letters of appointment.

According to the Articles, one-third of the Directors for the time being (if their number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, any new Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant general meeting.

At the forthcoming 2016 AGM, Mr. LIN Junshan and Mr. ZHANG Xingdong shall retire by rotation pursuant to the Articles provisions as stated in the foregoing paragraph. Both of the above two retiring Directors, being eligible, will offer themselves for re-election at the 2016 AGM. The Board and the Nomination Committee recommended their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above two Directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

Each newly appointed Director will receive formal induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Trainings and professional development for Directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their studying and reference.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the year ended December 31, 2015, the then Directors have complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

	Type of training/education	
	Attending training on regulatory development, directors' duties or other relevant topics	**Reading regulatory updates or corporate governance related materials or materials relevant to directors' duties**
Ms. Yue'e ZHANG	✓	✓
Mr. JIANG Liwei	✓	✓
Mr. LIN Junshan	✓	✓
Mr. ZHANG Xingdong	✓	✓
Mr. CHEN Geng	✓	✓
Mr. WANG Xiaogang	✓	✓
Mr. FENG Dai (Note 1)	✓	✓
Mr. FANG Min (Note 2)	✓	✓

Notes:

1. Mr. FENG Dai has resigned with effect from March 20, 2015.

2. Mr. FANG Min, appointed on March 20, 2015, has resigned with effect from August 25, 2015.

A6. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended December 31, 2015 are set out below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Executive Directors:					
Ms. Yue'e ZHANG (Note 1)	6/6	N/A	N/A	1/1	1/1
Mr. JIANG Liwei	6/6	N/A	N/A	N/A	1/1
Non-executive Directors:					
Mr. LIN Junshan (Notes 2 & 5)	6/6	3/3	N/A	1/1	1/1
Mr. FENG Dai (Note 3)	2/2	N/A	1/1	N/A	N/A
Mr. FANG Min (Note 4)	1/1	N/A	N/A	N/A	1/1
Independent non-executive Directors:					
Mr. ZHANG Xingdong	4/6	N/A	0/1	0/2	1/1
Mr. CHEN Geng	6/6	3/3	1/1	N/A	1/1
Mr. WANG Xiaogang	6/6	3/3	N/A	2/2	1/1

Notes:

1. Ms. Yue'e ZHANG has been appointed as the chairman of the Nomination Committee and has ceased to be a member of the Audit Committee, both with effect from February 3, 2015.

2. Mr. LIN Junshan has been appointed as a member of the Audit Committee and has ceased to be the chairman of the Nomination Committee, both with effect from February 3, 2015.

3. Mr. FENG Dai has resigned as a non-executive Director and a member of the Remuneration Committee with effect from March 20, 2015.

4. Mr. FANG Min has been appointed as a non-executive Director and a member of the Remuneration Committee with effect from March 20, 2015, and has resigned from the said positions with effect from August 25, 2015.

5. Mr. LIN Junshan has been appointed as a member of the Remuneration Committee with effect from August 25, 2015.

In addition, Ms. Yue'e ZHANG, the chairman of the Board, held a meeting with the then non-executive Directors (including the independent non-executive Directors) without the presence of executive Director during the year ended December 31, 2015.

A7. Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of their office or employment, are likely to possess inside information of the Company and/or securities. Specific enquiry has been made of all the Directors and they have confirmed their compliance with the Model Code throughout the year ended December 31, 2015. In addition, no incident of non-compliance of the Model Code by the senior management of the Group was noted during the year ended December 31, 2015.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and senior management in advance.

A8. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

During the year under review, the Board has performed corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices; (ii) reviewed and monitored the training and continuous professional development of Directors and senior management; (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (iv) reviewed and monitored the compliance of the Model Code; and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

B. Board Committees

The Company has three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website. All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Remuneration Committee

The Remuneration Committee comprises a total of three members, being one non-executive Director, namely Mr. LIN Junshan (replacing Mr. FANG Min with effect from August 25, 2015), and two independent non-executive Directors, namely Mr. CHEN Geng (chairman of the Committee) and Mr. ZHANG Xingdong. Throughout the year ended December 31, 2015, the Company has met the Listing Rule requirements of having the majority of the Remuneration Committee members being independent non-executive directors as well as having the Committee chaired by an independent non-executive director.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and on the remuneration packages of Directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended December 31, 2015, the Remuneration Committee has performed the following major works:

— Review of the existing remuneration policy and structure and the remuneration packages of Directors and senior management; and

— Recommendation to the Board on the remuneration package of Mr. FANG Min.

The attendance records of each Committee member in the Remuneration Committee meeting held during the year ended December 31, 2015 are set out in section A6 above.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended December 31, 2015 is set out below:

Remuneration band (HK$)	**Number of individuals**
Nil to 1,000,000	1
1,000,001–1,500,000	1
1,500,001–2,000,000	1
2,000,001–2,500,000	—
2,500,001–3,000,000	1

The amount of remuneration includes the amortisation of the fair value of share-based compensation, wages, salaries, bonus, contribution to social securities and housing fund. Details of the remuneration of each Director for the year ended December 31, 2015 are set out in Note 40 to the financial statements contained in this annual report.

B2. Nomination Committee

The Nomination Committee comprises a total of three members, being one executive Director, namely Ms. Yue'e ZHANG (chairman of the Committee, replacing Mr. LIN Junshan with effect from February 3, 2015), and two independent non-executive Directors, namely Mr. ZHANG Xingdong and Mr. WANG Xiaogang. Throughout the year ended December 31, 2015, the Company has met the code provision A.5.1 of having a majority of the Committee members being independent non-executive directors and having the Committee chaired by the chairman of the Board.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company also recognizes and embraces the benefit of having a diverse Board to enhance the quality of its performance. To comply with the code provision A.5.6 of the CG Code, a Board diversity policy was adopted by the Company on December 12, 2013, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

During the year ended December 31, 2015, the Nomination Committee has held two meetings and performed the following major works:

— Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

— Recommendation on: (i) the re-designation of Ms. Yue'e ZHANG as an executive Director; (ii) the appointment of Ms. Yue'e ZHANG as the chairman of the Board; (iii) the appointment of Mr. FANG Min as a non-executive Director; and (iv) the changes in the composition in the Board committees;

— Recommendation of the re-appointment of the retiring Directors standing for re-election at the AGM held on June 2, 2015; and

— Assessment of the independence of all the independent non-executive Directors.

In assessing the Board composition, the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy. The attendance records of each Committee member in the above two meetings are set out in section A6 above.

B3. Audit Committee

The Company has met the Listing Rule requirements regarding the composition of the Audit Committee throughout the year ended December 31, 2015. The Audit Committee comprises a total of three members, being one non-executive Director, namely Mr. LIN Junshan (replacing Ms. Yue'e ZHANG with effect from February 3, 2015), and two independent non-executive Directors, namely Mr. WANG Xiaogang and Mr. CHEN Geng. The chairman of the Audit Committee is Mr. WANG Xiaogang who possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making relevant recommendations to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year ended December 31, 2015, the Audit Committee has held three meetings and performed the following major works:

— Review and discussion of the annual financial statements, results announcement and report for the year ended December 31, 2014, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes; and recommendation of the re-appointment of the external auditor;

— Review and discussion of the interim financial statements, results announcement and report for the six months ended June 30, 2015 and the related accounting principles and practices adopted by the Group; and

— Discussion of the nature, plan and scope of the Group's audit and the audit fee for the year ended December 31, 2015.

The external auditor has attended all the above three meetings to discuss with the Audit Committee members issues arising from the audit and financial reporting matters.

The attendance records of each Committee member in the three meetings are set out in section A6 above.

It is noted that there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

C. Directors' Responsibilities for Financial Reporting in Respect of the Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Group for the year ended December 31, 2015.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports and other financial disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. Internal Controls

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of Shareholders and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee and the Board on any findings and measures to address the variances and identified risks.

During the year under review, the Board, with the assistance of the Audit Committee, has reviewed the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Company's accounting and financial reporting function. The Board considers that there are no significant defects in the Company's internal control systems in terms of completeness, reasonableness and effectiveness.

E. Company Secretary

Ms. SO Yee Kwan ("Ms. SO") of Tricor Services Limited ("Tricor"), an external service provider, acts as the Company Secretary. The primary contact person at the Company with Ms. SO and Tricor is Mr. CHEN Yikun, the vice president of the Company.

Ms. SO and Tricor are responsible for providing advice to the Board on corporate governance matters. Ms. SO has confirmed that she has taken no less than 15 hours of relevant professional training during the year ended December 31, 2015.

F. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company, PricewaterhouseCoopers, about their reporting responsibilities on the Company's financial statements for the year ended December 31, 2015 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to PricewaterhouseCoopers in respect of audit services and non-audit services for the year ended December 31, 2015 are analyzed below:

Type of services provided by the external auditor	**Fees paid/payable** (RMB'000)
Audit services	
— interim review on financial statements for the six months ended June 30, 2015 and annual audit services for the year ended December 31, 2015	2,600
— audit fee in relation to the interim financial statements for the nine months ended September 30, 2015 of a subsidiary of the Company	600
Non-audit services	
— tax advisory services	70
TOTAL:	3,270

G. Communications with Shareholders and Investors

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparent and timely disclosure of corporate information, which enables Shareholders and investors to make informed investment decision.

The Company maintains a website at www.pwmedtech.com as a communication platform with Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors may send their written enquiries or requests to the Company via the following contact details:

Address:	1002–1003, Block C, Focus Square No. 6 Futong East Avenue Wangjing, Chaoyang District Beijing, the PRC (Attention: the Board of Directors)
Email:	ir@pwmedtech.com
Fax number:	86 10 84783657

Enquiries and requests will be dealt with by the Company in an informative and timely manner.

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. It is the Company's general practice that the chairman of the Board as well as chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, their duly appointed delegates will be available to answer questions at the AGM and other general meetings of the Company. In addition, the Company will invite representatives of the auditor to attend its AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence, if any.

H. Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.pwmedtech.com) and the Stock Exchange after each Shareholders' meeting. The Articles allow a Shareholder entitled to attend and vote at a general meeting to appoint a proxy, who need not be a Shareholder, to attend the meeting and vote thereat on his/her/its behalf.

Pursuant to the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

During the year under review, the Company has not made any changes to the Articles. An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange.

Shareholders may refer to the Articles for further details of the rights of Shareholders.

Directors' Report

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended December 31, 2015.

Principal Activities

The Company was incorporated in the Cayman Islands on May 13, 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company, and its subsidiaries established in the PRC are primarily engaged in the (i) Regenerative Medical Biomaterial Business, (ii) Infusion Set Business and (iii) Orthopedic Implant Business.

The activities and particulars of the Company's subsidiaries are shown under Note 11 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 5 to the consolidated financial statements.

Business Review

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review forms part of this directors' report.

Compliance with Laws and Regulations

For the year ended 31 December 2015, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

Environmental Policies and Performance

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. During the production process, the Group has implemented environmental protection measures, including procedures related to noise control, energy use control and waste water and waste air discharge management. The Group has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste.

Results and Dividend

The consolidated results of the Group for the year ended December 31, 2015 are set out on pages 47 to 53 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2015 (2014: Nil).

Closure of the Register of Members

For determining the entitlement to attend and vote at the 2016 AGM to be held on May 31, 2016, the register of members of the Company will be closed from May 27, 2016 to May 31, 2016, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2016 AGM, unregistered holders of Shares should ensure that all transfer forms accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on May 26, 2016.

Financial Summary

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 5 of this report.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 7 to the consolidated financial statements on pages 81 to 82 of this annual report.

Share Capital

The Company issued new ordinary Shares during the year upon exercise of share options by a Director and employees of the Group. The reason for the issue of new ordinary Shares is set out in the section headed "Pre-IPO Share Option Scheme". Details of the movements in share capital of the Company during the year are set out in Note 19 to the consolidated financial statements on page 94 of this annual report.

Equity-linked Agreements

During the year, other than the Pre-IPO Share Option Scheme and Share Option Scheme as set out in the section under "Pre-IPO Share Option Scheme and Share Option Scheme" and Note 22 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

Reserves

Details of the movement in the reserves of the Group and of the Company during the year are set out in Note 20 to the consolidated financial statements on page 95 of this annual report.

Distributable Reserves

As at December 31, 2015, the Company's distributable reserves were RMB1,617.9 million.

Borrowings

Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 24 to the consolidated financial statements.

Donations

During the year, the Group did not make any charitable donations (2014: Nil).

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended December 31, 2015, the Company repurchased on the Stock Exchange a total of 17,312,000 Shares at a total consideration of approximately HK$35.3 million. Such Shares were cancelled on March 6, April 17, August 17, September 21 and December 28, respectively, during the year. Details of the Share repurchases are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share		Aggregate consideration
		Highest	Lowest	
		HK$	HK$	HK$
January 2015	2,765,000	3.25	3.18	8,919,302
March 2015	3,138,000	2.85	2.820775	8,917,924.4
July 2015	805,000	2.20	2.20	1,771,000
August 2015	1,000,000	1.60	1.58	1,597,100
September 2015	9,500,000	1.60	1.38	13,923,300
December 2015	104,000	1.52	1.51	158,048.8

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2015. The purchase of the Shares was made for the benefit of the Shareholders with a view to enhancing the net asset value per Share and earnings per Share.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

Use of Net Proceeds from the Company's IPO

The net proceeds from the Company's IPO amounted to HK$1,348.7 million (equivalent to approximately RMB1,059.8 million) after deducting share issuance costs and listing expenses. As at December 31, 2015, the proceeds raised by the Company from the IPO have not been fully utilized. During the year ended December 31, 2015, such net proceeds were applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. In 2016, the Company will use the proceeds raised from the IPO in accordance with its development strategies, market conditions and intended use of such proceeds.

Directors

The Directors during the year ended December 31, 2015 and up to the date of this report are as follows:

Executive Directors
Ms. Yue'e ZHANG *(Chairman)*
Mr. JIANG Liwei *(CEO)*

Non-executive Directors
Mr. LIN Junshan
Mr. FANG Min (appointed on March 20, 2015 and resigned on August 25, 2015)
Mr. FENG Dai (resigned on March 20, 2015)

Independent Non-executive Directors
Mr. ZHANG Xingdong
Mr. CHEN Geng
Mr. WANG Xiaogang

In accordance with Article 108 of the Articles, Mr. LIN Junshan and Mr. ZHANG Xingdong will retire as Directors at the 2016 AGM. The above retiring Directors, being eligible, will offer themselves for re-election at the 2016 AGM.

Biographical Details of the Directors and the Senior Management

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 9 to 11 in the section headed "Profile of Directors and Senior Management" to this annual report.

Directors' Service Contracts

The Company has issued a letter of appointment to Ms. Yue'e ZHANG, an executive Director, for a term of 3 years from February 3, 2015 while the other executive Director, Mr. JIANG Liwei has entered into a service contract with the Company for a term from October 14, 2013 to the date of the Company's 2016 AGM. The Company has also issued a letter of appointment to each of the non-executive Director and independent non-executive Directors on October 14, 2013 for a term of three years from their respective appointment dates. The terms of office of the Directors are subject to termination, and termination notice can be served either by the Director(s) or the Company. The appointment may be renewed in accordance with the Articles and the applicable rules.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Contract with Directors and Controlling Shareholders

No contract of significance has been entered into among the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries during the year ended December 31, 2015.

Director's Interests in Transaction, Arrangement or Contract

No transaction, arrangement and contract of significance in relation to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2015.

Compensation of Directors and Senior Management

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The remuneration (including fees, salaries and other benefits, retirement benefit scheme contribution and share-based compensation) paid to the Directors in aggregate for the year ended December 31, 2015 was approximately RMB5.6 million.

The remuneration (including salaries and other benefits, retirement benefit scheme contribution and share-based compensation) paid to our Group's five highest paid individuals in aggregate for the year ended December 31, 2015 was approximately RMB3.8 million.

For the year ended December 31, 2015, no emoluments were paid by our Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended December 31, 2015.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 29 to the consolidated financial statements on pages 102 to 103 of this annual report.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this annual report and in Note 22 to the consolidated financial statements on pages 96 to 97 of this annual report.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2015, by our Group to or on behalf of any of the Directors.

Directors' and Controlling Shareholder's Interests in Competing Business

During the year, none of the Directors nor the controlling Shareholder or their respective associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group.

Deed of Non-competition

On October 14, 2013, Ms. Yufeng LIU, the Company's ultimate controlling Shareholder, and Cross Mark Limited, through which Ms. Yufeng LIU holds equity interest in the Company (Ms. Yufeng LIU and Cross Mark Limited are collectively referred to as the "Covenanters"), and the Company (for itself and as trustee for each of its subsidiaries) entered into a deed of non-competition (the "Non-competition Deed"), pursuant to which each of the Covenanters has irrevocably, jointly and severally given certain non-competition undertakings to the Company. Details of the Non-competition Deed are set out in the section headed "Relationship with Controlling Shareholders — Non-competition Undertaking" in the Prospectus.

The Covenanters declared that they have complied with the Non-competition Deed for the year ended December 31, 2015. The independent non-executive Directors have conducted such review for the year ended December 31, 2015 and also reviewed the relevant undertakings and are satisfied that the Non-competition Deed has been fully complied.

Indemnity of directors

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the year ended December 31, 2015.

Pension Scheme

Details of the pension scheme of the Company are set out in Note 2.20 to the financial statements.

Management Contracts

Other than the Directors' service contract and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of the year or at any time during the year ended December 31, 2015.

Loan and Guarantee

During the year ended December 31, 2015, the Group had not made any loan or provided any guarantee for any loan, directly or indirectly, to the Directors, senior management, its ultimate controlling Shareholder or their respective connected persons.

Pre-IPO Share Option Scheme and Share Option Scheme

Pre-IPO Share Option Scheme

The Company conditionally approved and adopted the Pre-IPO Share Option Scheme pursuant to the resolutions of the Shareholders passed on July 3, 2013 and has amended the same pursuant to the resolutions of the Shareholders passed on October 14, 2013.

The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees and Directors, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees and Directors to participate in the growth and profitability of the Group.

On July 6, 2013, options (exercisable for 10 years subject to vesting schedule as set out in the grant letter) to subscribe for an aggregate of 70,891,722 Shares were conditionally granted by the Company under the Pre-IPO Share Option Scheme to a total of 31 grantees, including one executive Director, two non-executive Directors, two independent non-executive Directors, five members of the senior management (excluding Directors) of the Group, one director of a subsidiary of the Company and 20 other employees of the Group. Such options were granted based on the performance of the grantees that have made important contributions or are important to the long term growth and profitability of the Group. Apart from the above share options, no options were granted under the Pre-IPO Share Option Scheme. In addition, no further options can be granted under the Pre-IPO Share Option Scheme on or after the Listing Date. The total number of Shares currently available for issue under the Pre-IPO Share Option Scheme is 34,188,127 Shares, representing approximately 2.07% of the issued share capital of the Company as at the date of this annual report.

Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the year ended December 31, 2015 are set out below:

	Number of options					
Name or category of option holders	**Outstanding as at January 1, 2015**	**Granted during the year**	**Exercised during the year (Note 1)**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at December 31, 2015**
Directors of the Company						
Mr. JIANG Liwei	4,777,070	—	—	—	—	4,777,070
Mr. LIN Junshan	9,554,140	—	3,184,713	—	—	6,369,427
Mr. CHEN Geng	955,413	—	—	—	—	955,413
Mr. WANG Xiaogang	955,413	—	—	—	—	955,413
Senior management and other employees of the Group						
In aggregate	33,105,090	—	10,222,694	—	318,471	22,563,925
Total	49,347,126	—	13,407,407	—	318,471	35,621,248

Notes:

(1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$2.47 per Share.

(2) The exercise price per Share of the above options granted was RMB0.626.

The Directors and the director of the Company's subsidiary who have been granted options under the Pre-IPO Share Option Scheme, have undertaken to our Company that they will not exercise the options granted to them under the Pre-IPO Share Option Scheme if as a result of which the Company would not be able to comply with the public float requirements of the Listing Rules.

A detailed summary of the terms (including the terms of the Pre-IPO Share Option Scheme, the calculation method of the exercise price, exercise periods, vesting periods and conditions) of the Pre-IPO Share Option Scheme has been set out in the section headed "D. Pre-IPO Share Option Scheme" in Appendix IV of the Prospectus.

The Pre-IPO Share Option Scheme does not fall within the ambit of, and are not subject to, the regulations under Chapter 17 of the Listing Rules. Details of the impact of options granted under the Pre-IPO Share Option Scheme on the financial statements since the date of grant and the subsequent financial periods are set out under Note 22 to the consolidated financial statements.

Share Option Scheme

On October 14, 2013, the Company adopted the Share Option Scheme, which falls within the ambit of, and is subject to the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract, retain and motivate employees, Directors and other participants, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of the Group.

Qualified participants of the Share Option Scheme include directors (including executive, non-executive and independent non-executive Directors) and employees (whether full-time or part-time) of the Company or any of its subsidiaries or any other person who in the absolute discretion of the Board has contributed or will contribute to the Group.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 160,000,000 Shares, representing approximately 9.68% of the total issued share capital of the Company as at the date of this annual report.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The offer of a grant of share options under the Share Option Scheme may be accepted within 14 days from the date of offer upon payment of a consideration of HK$1 by the grantee.

The Share Option Scheme will remain in force for a period of 10 years from October 14, 2013 and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price of share options under the Share Option Scheme is determined by the Board, but shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

No share options have been granted under the Share Option Scheme since its adoption and up to the date of this annual report.

A summary of the terms of the Share Option Scheme has been set out in the section headed "E. Share Option Scheme" in Appendix IV of the Prospectus.

Interests of Directors and Chief Executive in Securities

As at December 31, 2015, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long position in ordinary Shares

Name of Director	Capacity	Number of ordinary Shares interested	Approximate percentage+ of the Company's issued share capital
Ms. Yue'e ZHANG	Beneficial owner	50,000	0.003%
Mr. JIANG Liwei	Beneficial owner	1,046,357	0.06%
Mr. LIN Junshan	Beneficial owner	3,330,427	0.20%
Mr. CHEN Geng	Beneficial owner	318,472	0.02%

(B) Long position in underlying Shares — physically settled unlisted equity derivatives

Name of Director	Capacity	Number of underlying Shares in respect of the share options granted	Approximate percentage+ of underlying Shares over the Company's issued share capital
Mr. JIANG Liwei	Beneficial owner	4,777,070	0.29%
Mr. LIN Junshan	Beneficial owner	6,369,427	0.38%
Mr. CHEN Geng	Beneficial owner	955,413	0.06%
Mr. WANG Xiaogang	Beneficial owner	955,413	0.06%

Note: Details of the above share options granted by the Company as required to be disclosed pursuant to the Listing Rules are set out in the section headed "Pre-IPO Share Option Scheme" in this annual report.

\+ The percentage represents the number of ordinary Shares/underlying Shares interested divided by the number of the issued Shares as at December 31, 2015.

Save as disclosed above and in the section headed "Pre-IPO Share Option Scheme" and to the best knowledge of the Directors, as at December 31, 2015, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests in Securities

As at December 31, 2015, the following corporations/persons had interests of 5% or more in the issued Shares according to the register of interests required to be kept by the Company under section 336 of the SFO:

Long position in ordinary Shares

Name	Note	Capacity	Number of ordinary Shares interested	Approximate percentage+ of the Company's issued share capital
Cross Mark Limited		Beneficial owner	547,061,863	32.70%
Ms. Yufeng LIU	1	Interest of a controlled corporation	547,061,863	32.70%
Mr. ZHANG Zaixian	2	Interest of spouse	547,061,863	32.70%
Right Faith Holdings Limited		Beneficial owner	393,385,962	23.51%
Mr. Marc CHAN	3	Interest of controlled corporations	405,385,962	24.23%

Notes:

(1) The entire issued share capital of Cross Mark Limited is legally and beneficially owned by Ms. Yufeng LIU. Under the SFO, Ms. Yufeng LIU is deemed to be interested in the same number of Shares in which Cross Mark Limited is interested.

(2) Mr. ZHANG Zaixian is the spouse of Ms. Yufeng LIU. Under the SFO, Mr. ZHANG Zaixian is deemed to be interested in the same number of Shares in which Ms. Yufeng LIU is interested.

(3) The entire issued share capital of Right Faith Holdings Limited is legally and beneficially owned by Mr. Marc CHAN. In addition, Amplewood Resources Limited, a company wholly owned by Mr. Marc CHAN, held 12,000,000 Shares. Under the SFO, Mr. Marc CHAN is deemed to be interested in the same number of Shares in which Right Faith Holdings Limited and Amplewood Resources Limited are interested.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at December 31, 2015.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2015, no person had registered an interest or a short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

Arrangements to Purchase Shares or Debentures

Other than the Pre-IPO Share Option Scheme and the Share Option Scheme, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

Major Suppliers and Customers

In the year under review, the Group's largest customers accounted for approximately 5.7% of the Group's total revenue. The Group's five largest customers accounted for approximately 9.7% of the Group's total revenue.

In the year under review, the Group's largest suppliers accounted for approximately 4.9% of the Group's total cost of sales. The Group's five largest suppliers accounted for approximately 19.3% of the Group's total cost of sales.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

Employees

The Group had approximately 1,599 employees as at December 31, 2015 (2014: 1,670). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

Retirement Benefits Scheme

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Continuing Connected Transaction

During the year ended December 31, 2015, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

Save as disclosed under the section headed "Related Party Transactions" stated in Note 35 to the consolidated financial statements, no contract of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the year ended December 31, 2015.

Related Party Transactions

Details of the related party transactions of the Group for the year ended December 31, 2015 are set out in Note 35 to the consolidated financial statements contained herein.

None of the related party transactions fall under the definition of connected transaction or continuing connected transaction in Chapter 14A of the Listing Rules.

Sufficiency of Public Float

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

Auditor

PricewaterhouseCoopers has been appointed as the auditor of the Company since the Listing Date and will retire at the 2016 AGM. A resolution will be proposed at the 2016 AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board
Yue'e ZHANG
Chairman

Hong Kong, March 29, 2016

羅兵咸永道

Independent Auditor's Report
To the shareholders of PW Medtech Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of PW Medtech Group Limited (the "Company") and its subsidiaries set out on pages 47 to 114, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 29, 2016

Consolidated Balance Sheet

	Notes	As at 31 December 2015 RMB'000	 2014 RMB'000
Assets			
Non-current assets			
Land use rights	6	**64,110**	64,662
Property, plant and equipment	7	**659,328**	389,580
Intangible assets	8	**967,798**	994,894
Deferred income tax assets	25	**10,179**	14,777
Long-term prepayments	13	**3,980**	32,536
Trade receivables	15	**24,071**	—
		1,729,466	1,496,449
Current assets			
Inventories	14	**123,983**	101,121
Trade and other receivables	15	**357,603**	371,151
Restricted cash	16	**—**	260,000
Term deposits	17	**40,000**	—
Cash and cash equivalents	18	**288,224**	153,816
		809,810	886,088
Total assets		**2,539,276**	2,382,537
Equity			
Equity attributable to owners of the Company			
Share capital	19	**1,034**	1,036
Share premium	19	**1,666,821**	1,674,404
Other reserves	20	**82,008**	95,666
Retained earnings	21	**547,635**	339,053
		2,297,498	2,110,159
Non-controlling interests		**1,167**	1,167
Total equity		**2,298,665**	2,111,326

	Notes	As at 31 December 2015 RMB'000	 2014 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	25	**60,855**	65,316
Deferred income	26	**6,169**	7,282
		67,024	72,598
Current liabilities			
Trade and other payables	23	**170,266**	114,318
Current income tax liabilities		**3,321**	9,295
Borrowings	24	**—**	75,000
		173,587	198,613
Total liabilities		**240,611**	271,211
Total equity and liabilities		**2,539,276**	2,382,537

The notes on pages 54 to 114 are an integral part of these consolidated financial statements.

The financial statements on pages 47 to 114 were approved by the Board of Directors on March 29, 2016 and were signed on its behalf.

Yue'e Zhang
Director

Jiang Liwei
Director

Consolidated Income Statement

	Notes	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	5	**633,874**	608,059
Cost of sales	28	**(157,889)**	(165,170)
Gross profit		**475,985**	442,889
Selling expenses	28	**(100,500)**	(94,224)
Administrative expenses	28	**(101,335)**	(108,037)
Research and development expenses	28	**(35,968)**	(35,181)
Other gains — net	27	**9,769**	8,310
Operating profit		**247,951**	213,757
Finance income	30	**6,281**	22,228
Finance costs	30	**(939)**	(24,663)
Finance income/(costs) — net	30	**5,342**	(2,435)
Profit before income tax		**253,293**	211,322
Income tax expenses	31	**(44,711)**	(34,692)
Profit for the year		**208,582**	176,630
Profit attributable to:			
Owners of the Company		**208,582**	176,630
Non-controlling interests		**—**	—
		208,582	176,630
Earnings per share attributable to the owners of the Company for the year (expressed in RMB cents per share)			
— Basic	36	**12.45**	10.57
— Diluted	36	**12.31**	10.30

The notes on pages 54 to 114 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2015 RMB'000	2014 RMB'000
Profit for the year		**208,582**	176,630
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets	20	**—**	774
Disposal of available-for-sale financial assets	20	**—**	(774)
Currency translation differences	20	**1,232**	103
Other comprehensive income for the year, net of tax		**1,232**	103
Total comprehensive income for the year		**209,814**	176,733
Attributable to:			
— Owners of the Company		**209,814**	176,733
— Non-controlling interests		**—**	—
Total comprehensive income for the year		**209,814**	176,733

The notes on pages 54 to 114 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014	1,026	1,647,840	87,407	162,423	1,898,696	—	1,898,696
Comprehensive income							
Profit for the year	—	—	—	176,630	176,630	—	176,630
Other comprehensive income							
Currency translation differences	—	—	103	—	103	—	103
Change in value of available-for-sale financial assets	—	—	774	—	774	—	774
Disposal of available-for-sale financial assets	—	—	(774)	—	(774)	—	(774)
Total other comprehensive income, net of tax	—	—	103	—	103	—	103
Total comprehensive income	—	—	103	176,630	176,733	—	176,733
Proceeds from employee share option exercised (Note 19)	10	10,582	—	—	10,592	—	10,592
Transfer to share premium upon exercise of share option (Note 19)	—	15,982	(15,982)	—	—	—	—
Share option reserve (Note 29)	—	—	24,138	—	24,138	—	24,138
Non-controlling interests arising on business combination	—	—	—	—	—	1,167	1,167
Total transactions with owners in their capacity as owners	10	26,564	8,156	—	34,730	1,167	35,897
Balance at 31 December 2014	1,036	1,674,404	95,666	339,053	2,110,159	1,167	2,111,326

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	1,036	1,674,404	95,666	339,053	2,110,159	1,167	2,111,326
Comprehensive income							
Profit for the year	—	—	—	208,582	208,582	—	208,582
Other comprehensive income							
Currency translation differences	—	—	1,232	—	1,232	—	1,232
Total other comprehensive income, net of tax	—	—	1,232	—	1,232	—	1,232
Total comprehensive income	—	—	1,232	208,582	209,814	—	209,814
Proceeds from employee share option exercised (Note 19(a))	8	8,656	—	—	8,664	—	8,664
Share repurchases (Note 19(b))	(10)	(29,671)	—	—	(29,681)	—	(29,681)
Transfer to share premium upon exercise of share option (Note 19(c))	—	13,432	(13,432)	—	—	—	—
Share option reserve (Note 29)	—	—	(1,458)	—	(1,458)	—	(1,458)
Total transactions with owners in their capacity as owners	(2)	(7,583)	(14,890)	—	(22,475)	—	(22,475)
Balance at 31 December 2015	1,034	1,666,821	82,008	547,635	2,297,498	1,167	2,298,665

The notes on pages 54 to 114 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**311,777**	138,084
Interest paid		**(1,254)**	(15,744)
Income tax paid		**(50,548)**	(36,240)
Net cash generated from operating activities		**259,975**	86,100
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**—**	(798,599)
Disposal of subsidiaries	32(c)	**1,000**	3,000
Payments for property, plant and equipment		**(22,671)**	(37,209)
Payments for construction in progress		**(243,183)**	(142,109)
Purchases of land use rights	6	**(804)**	(4,568)
Purchases of intangible assets	8	**(90)**	(1,161)
Purchases of available-for-sale financial assets	10	**(280,000)**	—
Proceeds from disposal of available-for-sale financial assets	10	**280,422**	127,311
Proceeds from disposal of property, plant and equipment	32(b)	**6,404**	827
Interest received		**6,281**	—
Net decrease/(increase) in restricted cash	16	**260,000**	(223,000)
Net increase in term deposits	17	**(40,000)**	—
Government grants relating to assets received		**—**	5,400
Net cash used in investing activities		**(32,641)**	(1,070,108)
Cash flows from financing activities			
Share repurchases	19(b)	**(29,681)**	—
Proceeds from employee share option exercised	19(a)	**8,664**	10,592
Proceeds from borrowings		**190,000**	240,000
Repayment of borrowings		**(265,000)**	(258,000)
Net cash used in financing activities		**(96,017)**	(7,408)
Net increase/(decrease) in cash and cash equivalents		**131,317**	(991,416)
Cash and cash equivalents at beginning of the year	18	**153,816**	1,145,641
Exchange gains/(losses) on cash and cash equivalents		**3,091**	(409)
Cash and cash equivalents at end of the year		**288,224**	153,816

The notes on pages 54 to 114 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

PW Medtech Group Limited (the "Company", previously known as "Pyholding Limited") was incorporated in the Cayman Islands on 13 May 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's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 8 November 2013.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the development, manufacturing and sale of (i) regenerative medical biomaterial products (the "Regenerative Medical Biomaterial Business"); (ii) advanced infusion set products (the "Infusion Set Business"); and (iii) orthopedic implants products (the "Orthopedic Implant Business") in the People's Republic of China (the "PRC" or "China").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have 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, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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 consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs — 2010–2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'.

Amendments from annual improvements to HKFRSs — 2011–2013 Cycle, on HKFRS 3, 'Business combinations', HKFRS 13, 'Fair value measurement'.

The directors of the Company anticipate that the adoption of the new and revised HKFRSs will have no material impact on the Group's operating results and financial position.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess the impact of HKFRS 9.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRSs or HKFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business 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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) 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.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 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 consolidated financial statements of the investee's net assets including goodwill.

2.3 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 steering committee that makes strategic decisions .

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated 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 consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

2 Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(b) 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 consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or expenses ". All other foreign exchange gains and losses are presented in the income statement within "other gains — net".

Changes in the fair value of debt 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.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) 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 income statement 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. Currency translation differences arising are recognised in other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.5 Land use rights

Land use rights are up-front payments to acquire long-term interests in the usage of land. It is stated at cost and charged to the consolidated income statement over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.6 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 consolidated income statement during the Year 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 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. 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 — net" in the consolidated income statement.

2 Summary of significant accounting policies (Continued)

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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 the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. 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) Trademarks and technology know-how

Separately acquired trademarks and technology know-how 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.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life 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.

2 Summary of significant accounting policies (Continued)

2.9 Financial assets

2.9.1 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.

(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", "term deposits" and "cash and cash equivalents" in the consolidated balance sheet (Note 15, 16, 17 and 18).

(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.

2.9.2 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 at fair value, and transaction costs are expensed in profit or loss. 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within "Other gains — net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

2.9.2 Recognition and measurement (Continued)

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as "other gains — net".

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

2.10 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 profit or loss. 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 profit or loss.

2 Summary of significant accounting policies (Continued)

2.10 Impairment of financial assets (Continued)

(b) Asset 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, if any such evidence exists 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. 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 consolidated income statement.

For equity investments, 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 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 profit or loss on equity instruments are not reversed through the consolidated income statement.

2.11 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.

2.12 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.

2.13 Cash and cash equivalents

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

2.14 Restricted cash

Restricted cash represents guaranteed deposits held in a separate reserve account pledged to the bank for issuance of bankers' guarantee. Such restricted cash will be released when the Group settle the related borrowings.

2 Summary of significant accounting policies (Continued)

2.15 Share 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.

2.16 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. Trade and other 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.

2.17 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 consolidated income statement 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.

2.18 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 the consolidated income statement in the period in which they are incurred.

2 Summary of significant accounting policies (Continued)

2.19 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, 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 consolidated 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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(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 tax assets and liabilities relate to income tax 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.

2 Summary of significant accounting policies (Continued)

2.20 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 consolidated income statement 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.

2.21 Share based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2 Summary of significant accounting policies (Continued)

2.21 Share based payments (Continued)

(a) Equity-settled share-based payment transactions (Continued)

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.22 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 consolidated 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.

2 Summary of significant accounting policies (Continued)

2.23 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.

2.24 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 consolidated income statement 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 consolidated income statement on a straight-line basis over the expected useful lives of the related assets.

2.25 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 consolidated income statement on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (Continued)

2.26 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.

2.27 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.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity 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 of the Company (the "Board"). Group treasury department 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 the United States dollar ("USD"). 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 year. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in the future.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2015, if USD had strengthened/weakened by 3% against RMB (2014: 3%) 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 USD denominated cash and cash equivalents.

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Year ended:		
Increase/(decrease)		
— Strengthened 3% (2014: 3%)	**2,152**	418
— Weakened 3% (2014: 3%)	**(2,152)**	(418)

(ii) Cash flow and fair value interest rate risk

Other than bank balances with variable interest rates, 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 change. As at 31 December 2015 and 2014, the Group's interest-bearing debt are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Debt at floating rate	**—**	75,000

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) 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 year, 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.

(b) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and available-for-sale financial assets 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 in the PRC, 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 the year to ensure adequate impairment losses are made for irrecoverable amounts.

Available-for-sale financial assets are short-term investments placed with state-owned financial institution in the PRC. There was no recent history of default and the executive directors of the Group are of the opinion that the credit risk related to the investment is low.

(c) 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.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the year end of the 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) and the earliest date the Group may be required to pay.

	Within 1 year	Between 1 and 2 years	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2015			
Financial liabilities as included in trade and other payables	**112,123**	**—**	**112,123**
	112,123	**—**	**112,123**
At 31 December 2014			
Financial liabilities as included in trade and other payables	60,882	—	60,882
Borrowings, including interests	76,650	—	76,650
	137,532	—	137,532

3.2 Capital 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 consolidated balance sheet plus amounts due to related parties of non — trading nature. Total capital is calculated as "total equity" as shown in the consolidated balance sheet plus total borrowings.

3 Financial risk management (Continued)

3.2 Capital management (Continued)

	As at 31 December	
	2015	2014
Total borrowings (RMB'000)	**—**	75,000
Total equity (RMB'000)	**2,298,665**	2,111,326
Total capital (RMB'000)	**2,298,665**	2,186,326
Gearing ratio	**—**	3.43%

3.3 Fair value estimation

(a) The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

(b) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2015.

	Available-for-sale financial assets RMB'000
At beginning of the year	—
Additions	280,000
Change in value of available-for-sale financial assets	422
Disposal	(280,422)
At end of the year	—

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(b) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

	Available-for-sale financial assets RMB'000
At beginning of the year	—
Acquisition of a subsidiary	126,537
Change in value of available-for-sale financial assets	774
Disposal	(127,311)
At end of the year	—

4 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.

4.1 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%.

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(a) Income taxes (Continued)

During the year, 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 the year.

(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) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7(a). The recoverable amounts of CGUs 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 8, management considered that no impairment charge was required against goodwill arising from acquisitions during the year.

In the opinion of the Company's directors, regarding Infusion Set Business, Orthopedic Implant Business or Regenerative Medical Biomaterial Business respectively, had the gross margin been 1% 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 year.

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(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) 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 and the latest available information, the percentage of subsequent returns or exchange will be approximately 5.6% (2014: 7.7%) of annual orthopaedic sales. Therefore, the Group has recognised revenue with a corresponding provision against revenue for estimated returns with 5.6% (2014: 7.7%) of annual orthopaedic sales for the year. If the estimate had been changed by is 1% higher/lower, revenue for the year ended 31 December 2015 would have been reduced/increased by RMB1,426,000 (2014: RMB2,069,000).

(g) Recognition of share based payment expenses

The fair value of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognises an expense for those share options expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such share options expected to become vested, which may in turn significantly impact the determination of the share based payment expenses.

5 Segment information

The chief operating decision-maker has been identified as the executive director of the Company. The executive director reviews 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 director considers the business from a product perspective, and determines that the Group has the following operating segments:

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

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

— Regenerative Medical Biomaterial Business — manufacturing and sale of regenerative medical biomaterial products.

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.

5 Segment information (Continued)

Year ended 31 December 2015	Infusion Set Business RMB'000	Orthopedic Implant Business RMB'000	Regenerative Medical Biomaterial Business RMB'000	Total RMB'000
Revenue from external customers	300,793	122,993	210,088	633,874
Cost of sales	(95,590)	(32,559)	(29,740)	(157,889)
Gross profit	205,203	90,434	180,348	475,985
Selling expenses	(37,990)	(35,312)	(27,198)	(100,500)
Administrative expenses	(41,624)	(40,011)	(19,700)	(101,335)
Research and development expenses	(13,495)	(13,944)	(8,529)	(35,968)
Other gains — net	7,215	2,086	468	9,769
Segment profit	119,309	3,253	125,389	247,951
Finance income				6,281
Finance costs				(939)
Finance income — net				5,342
Profit before income tax				253,293
Segment assets	1,168,863	557,178	803,056	2,529,097
Deferred income tax assets				10,179
Total assets				2,539,276
Segment liabilities	110,012	38,631	31,113	179,756
Deferred income tax liabilities				60,855
Total liabilities				240,611
Other segment information				
Amortisation of land use rights (Note 6)	956	67	333	1,356
Depreciation of property, plant and equipment (Note 7)	14,105	14,352	3,337	31,794
Amortisation of intangible assets (Note 8)	4,220	1,003	21,963	27,186

5 Segment information (Continued)

Year ended 31 December 2014	Infusion Set Business RMB'000	Orthopedic Implant Business RMB'000	Regenerative Medical Biomaterial Business RMB'000	Total RMB'000
Revenue from external customers	362,788	165,760	79,511	608,059
Cost of sales	(113,342)	(40,002)	(11,826)	(165,170)
Gross profit	249,446	125,758	67,685	442,889
Selling expenses	(44,133)	(37,384)	(12,707)	(94,224)
Administrative expenses	(68,197)	(34,191)	(5,649)	(108,037)
Research and development expenses	(14,902)	(16,897)	(3,382)	(35,181)
Other gains — net	5,068	754	2,488	8,310
Segment profit	127,282	38,040	48,435	213,757
Finance income				22,228
Finance costs				(24,663)
Finance costs — net				(2,435)
Profit before income tax				211,322
Segment assets	1,111,484	520,927	735,349	2,367,760
Deferred income tax assets				14,777
Total assets				2,382,537
Segment liabilities	146,396	27,475	32,024	205,895
Deferred income tax liabilities				65,316
Total liabilities				271,211
Other segment information				
Amortisation of land use rights (Note 6)	951	65	136	1,152
Depreciation of property, plant and equipment (Note 7)	12,176	10,668	1,199	24,043
Amortisation of intangible assets (Note 8)	4,084	958	9,150	14,192

5 Segment information (Continued)

(a) Concentration of customers

Revenues of approximately RMB35,826,000 (2014: RMB54,723,000) are derived from a single external customer. These revenues are attributable to the Infusion Set Business segment.

(b) 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.

6 Land use rights

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

	2015	2014
	RMB'000	RMB'000
Opening net book amount	**64,662**	51,759
Acquisition of subsidiaries	**—**	13,586
Additions	**804**	469
Amortisation charge (Note 28)	**(1,356)**	(1,152)
Closing net book amount	**64,110**	64,662
Cost	**68,553**	67,749
Accumulated amortisation	**(4,443)**	(3,087)
	64,110	64,662

As at 31 December 2015, the Group is still in the process of applying the usage right certificates of certain land with the aggregated carrying amounts of RMB10,409,000 (2014: RMB10,916,000).

Amortisation of land use rights has been charged to the consolidated income statement as follows:

	2015	2014
	RMB'000	RMB'000
Cost of sales	**444**	353
Administrative expenses	**912**	799
	1,356	1,152

As at 31 December 2015, no land use rights were pledged for the Group's borrowings (2014:Nil).

7 Property, plant and equipment

	Buildings and facilities RMB'000	Leasehold improvements RMB'000	Furniture, fittings and office equipment RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2014							
Cost	79,367	14,050	8,304	81,113	7,161	43,686	233,681
Accumulated depreciation	(9,997)	(2,303)	(2,710)	(14,807)	(2,743)	—	(32,560)
Net book amount	69,370	11,747	5,594	66,306	4,418	43,686	201,121
Year ended 31 December 2014							
Opening net book amount	69,370	11,747	5,594	66,306	4,418	43,686	201,121
Additions	16,125	3,006	1,920	25,083	2,188	142,109	190,431
Acquisition of subsidiaries	16,214	—	121	8,298	48	—	24,681
Transfer	24,186	1,105	—	26,713	—	(52,004)	—
Disposals	—	—	(14)	(2,486)	(110)	—	(2,610)
Depreciation (Note 28)	(5,801)	(2,202)	(1,518)	(13,189)	(1,333)	—	(24,043)
Closing net book amount	120,094	13,656	6,103	110,725	5,211	133,791	389,580
At 31 December 2014							
Cost	141,011	18,161	16,845	148,121	9,898	133,791	467,827
Accumulated depreciation	(20,917)	(4,505)	(10,742)	(37,396)	(4,687)	—	(78,247)
Net book amount	120,094	13,656	6,103	110,725	5,211	133,791	389,580
Year ended 31 December 2015							
Opening net book amount	**120,094**	**13,656**	**6,103**	**110,725**	**5,211**	**133,791**	**389,580**
Additions	**5,554**	**423**	**1,406**	**13,784**	**1,504**	**283,780**	**306,451**
Transfer	**11,228**	**336**	**73**	**16,492**	**—**	**(28,129)**	**—**
Disposals	**—**	**—**	**(102)**	**(4,766)**	**(41)**	**—**	**(4,909)**
Depreciation (Note 28)	**(7,874)**	**(2,598)**	**(2,298)**	**(17,448)**	**(1,576)**	**—**	**(31,794)**
Closing net book amount	**129,002**	**11,817**	**5,182**	**118,787**	**5,098**	**389,442**	**659,328**
At 31 December 2015							
Cost	**157,793**	**18,920**	**18,092**	**171,606**	**10,601**	**389,442**	**766,454**
Accumulated depreciation	**(28,791)**	**(7,103)**	**(12,910)**	**(52,819)**	**(5,503)**	**—**	**(107,126)**
Net book amount	**129,002**	**11,817**	**5,182**	**118,787**	**5,098**	**389,442**	**659,328**

As at 31 December 2015, the Group is still in the process of applying the ownership certificates of certain buildings with the aggregated carrying amounts of RMB8,579,000 (2014: RMB14,927,000).

7 Property, plant and equipment (Continued)

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

	2015 RMB'000	2014 RMB'000
Cost of sales	**21,147**	15,033
Administrative expenses	**7,889**	7,074
Selling expenses	**850**	791
Research and development expenses	**1,908**	1,145
	31,794	24,043

As at 31 December 2015, no buildings were pledged for the Group's borrowings (2014: Nil).

Construction work in progress as at 31 December 2015 mainly comprises new manufacturing factory under construction.

During the year, the Group has capitalised borrowing costs amounting to RMB944,000 (2014: Nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.25%.

8 Intangible assets

	Goodwill RMB'000	Computer software RMB'000	Trademarks RMB'000	Technology know-how RMB'000	Customer relationship RMB'000	Total RMB'000
At 1 January 2014						
Cost	249,727	198	11,755	50,343	5,012	317,035
Accumulated amortisation	—	(125)	(2,090)	(7,329)	(2,228)	(11,772)
Net book amount	249,727	73	9,665	43,014	2,784	305,263
Year ended 31 December 2014						
Opening net book amount	249,727	73	9,665	43,014	2,784	305,263
Acquisition of subsidiaries	373,229	—	22,956	306,477	—	702,662
Additions	—	1,161	—	—	—	1,161
Amortisation charge (Note 28)	—	(66)	(1,422)	(11,869)	(835)	(14,192)
Closing net book amount	622,956	1,168	31,199	337,622	1,949	994,894
At 31 December 2014						
Cost	622,956	1,359	34,711	356,820	5,012	1,020,858
Accumulated amortisation	—	(191)	(3,512)	(19,198)	(3,063)	(25,964)
Net book amount	622,956	1,168	31,199	337,622	1,949	994,894
Year ended 31 December 2015						
Opening net book amount	**622,956**	**1,168**	**31,199**	**337,622**	**1,949**	**994,894**
Additions	**—**	**90**	**—**	**—**	**—**	**90**
Amortisation charge (Note 28)	**—**	**(248)**	**(2,314)**	**(23,789)**	**(835)**	**(27,186)**
Closing net book amount	**622,956**	**1,010**	**28,885**	**313,833**	**1,114**	**967,798**
At 31 December 2015						
Cost	**622,956**	**1,449**	**34,711**	**356,820**	**5,012**	**1,020,948**
Accumulated amortisation	**—**	**(439)**	**(5,826)**	**(42,987)**	**(3,898)**	**(53,150)**
Net book amount	**622,956**	**1,010**	**28,885**	**313,833**	**1,114**	**967,798**

8 Intangible assets (Continued)

Amortisation of intangible assets has been charged to the consolidated income statement as follows:

	2015 RMB'000	2014 RMB'000
Cost of sales	**22,862**	10,944
Administrative expenses	**1,175**	991
Selling expenses	**3,149**	2,257
	27,186	14,192

Impairment tests for goodwill

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

	Infusion Set Business RMB'000	Orthopedic Implant Business RMB'000	Regenerative Medical Biomaterial Business RMB'000	Total RMB'000
As at 31 December 2014	160,754	88,973	373,229	622,956
As at 31 December 2015	**160,754**	**88,973**	**373,229**	**622,956**

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 in 2015 and 2014 are as follows:

	Infusion Set Business		Orthopedic Implant Business		Regenerative Medical Biomaterial Business	
	2015	2014	**2015**	2014	**2015**	2014
Gross margin	**65.0%**	64.0%	**75.0%**	75.0%	**84.0%**	90.0%
Growth rate	**2.5%**	2.5%	**2.5%**	2.5%	**4.0%**	4.0%
Discount rate	**17.6%**	17.6%	**17.6%**	17.6%	**16.0%**	16.0%

8 Intangible assets (Continued)

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. 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.

9 Financial instruments by category

	Loans and receivables RMB'000
Assets as per balance sheet	
At 31 December 2015	
Trade and other receivables (excluding prepayments)	**347,469**
Term deposits	**40,000**
Cash and cash equivalents	**288,224**
Total	**675,693**
At 31 December 2014	
Trade and other receivables (excluding prepayments)	362,865
Restricted cash	260,000
Cash and cash equivalents	153,816
Total	776,681

9 Financial instruments by category (Continued)

	Liabilities at amortised cost RMB'000
Liabilities per balance sheet	
At 31 December 2015	
Trade and other payables (excluding advance from customers, salary and staff welfare payables and value added tax and other taxes)	**112,123**
Total	**112,123**
At 31 December 2014	
Trade and other payables (excluding advance from customers, salary and staff welfare payables and value added tax and other taxes)	60,882
Borrowings	75,000
Total	135,882

10 Available-for-sale financial assets

	2015 **RMB'000**	2014 RMB'000
At beginning of the year	**—**	—
Acquisition of a subsidiary	**—**	126,537
Additions	**280,000**	—
Change in value of available-for-sale financial assets	**422**	774
Disposal	**(280,422)**	(127,311)
At end of the year	**—**	—

The investments represent short-term investments placed in certain PRC state-owned banking institution with maturity within 1 year and non-determinable return rate. These investments are all denominated in RMB.

11 Subsidiaries

The Company has direct or indirect interests in the following subsidiaries:

Company name	Place of incorporation and operation/ kind of legal entity	Date of incorporation/ establishment	Registered/ Issued and paid-up capital	Effective equity interests held 31 December 2015	2014	Principal activities
Directly owned:						
PWM Investment Holdings Company Limited	Hong Kong/ Limited liability company	October 30, 2009	211,447,750 ordinary shares of Hong Kong dollar ("HKD") 1 each	100%	100%	Investment holding
Health Access Limited	Hong Kong/ Limited liability company	June 29, 2011	480,026,001 ordinary shares of HKD1 each	100%	100%	Investment holding
Indirectly owned:						
Health Forward Holdings Limited ("Health Forward")	Hong Kong/ Limited liability company	January 21, 2010	10,000 ordinary shares of HKD1 each	100%	100%	Investment holding
PW Medtech (Beijing) Limited (普華和順(北京) 醫療科技有限公司)	PRC/ Limited liability company	August 10, 2000	RMB154,300,000	100%	100%	Investment holding
Beijing Zhong Jie Tian Gong Medtech Co., Ltd. (北京中杰天工醫療科技有限公司)	PRC/ Limited liability company	September 22, 2011	RMB10,000,000	100%	100%	Infusion Set Business
Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司 "Fert Technology")	PRC/ Limited liability company	September 23, 1997	RMB126,000,000	100%	100%	Infusion Set Business
Tianjin Walkman Biomaterial Co., Ltd. (天津市威曼生物材料有限公司 "Walkman Biomaterial")	PRC/ Limited liability company	November 8, 2001	RMB100,000,000	100%	100%	Orthopedic Implant Business
Tianjin Shengge Biology Engineering Co., Ltd. (天津市聖格生物工程有限公司)	PRC/ Limited liability company	March 21, 2006	RMB10,000,000	100%	100%	Orthopedic Implant Business
Anyang Weli Medical Instrument Manufacturing Co., Ltd. (安陽市偉力醫療器械製造有限責任公司)	PRC/ Limited liability company	August 12, 1996	RMB3,000,000	100%	100%	Orthopedic Implant Business
Xuzhou Yijia Medical Device Co., Ltd. (徐州一佳醫療器械有限公司 "Xuzhou Yijia")	PRC/ Limited liability company	June 30, 2003	RMB7,000,000	100%	100%	Infusion Set Business
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

11 Subsidiaries (Continued)

The Company has direct or indirect interests in the following subsidiaries (Continued):

Company name	Place of incorporation and operation/ kind of legal entity	Date of incorporation/ establishment	Registered/ Issued and paid-up capital	Effective equity interests held 31 December 2015	2014	Principal activities
Indirectly owned:						
Shenzhen Bone Medical Device Co., Ltd (深圳市博恩醫療器材有限公司 "Shenzhen Bone")	PRC/ Limited liability company	November 12, 2002	RMB45,000,000	100%	100%	Orthopedic Implant Business
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
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
Jiangsu PW Medtech Medical Device Co., Ltd (江蘇普華和順醫療器材有限公司)	PRC/ Limited liability company	April 10, 2014	RMB10,000,000	100%	100%	Investment holding
Beijing Weikangtongda Medical Device Co., Ltd. (北京維康通達醫療器械技術有限公司)	PRC/ Limited liability company	July 31, 2014	RMB50,000,000	100%	100%	Infusion Set Business
Beijing Tianxinfu Medical Appliance Co., Ltd. (北京天新福醫療器材有限公司 "Beijing Tianxinfu")	PRC/ Limited liability company	January 18, 2002	RMB25,000,000	100%	100%	Regenerative Medical Biomaterial Business
Beijing Lima-TXF Medical Equipment Co., Ltd (北京麗瑪天新福醫療器械有限責任公司)	PRC/ Limited liability company	November 10, 2005	EURO3,200,000/ EURO1,518,500	75%*	75%*	Regenerative Medical Biomaterial Business
Shandong Fert Medical Device Co., Ltd. (山東伏爾特醫療器械有限公司)	PRC/ Limited liability company	July 28, 2015	RMB20,000,000	100%	100%	Infusion Set Business

* The directors of the Company consider that the non-controlling interests of the subsidiary were insignificant to the Group and thus the individual financial information of the subsidiary is not disclosed.

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

12 Investment in an associate

	2015 RMB'000	2014 RMB'000
Investment in an associate (i)	**4,366**	4,366
Impairment provision (ii)	**(4,366)**	(4,366)
	—	—

(i) Beijing XinFu Mindacam Intelligent Engineering Co., Ltd. ("Xinfu Mindacam") was incorporated in the PRC on 23 May 2007 with limited liability under the Company Law of the PRC. The registered capital of the associate was USD1,500,000, out of which 40% equity interests was contributed by Beijing Tianxinfu, at a consideration of USD600,000 (equivalent to approximately RMB4,366,000).

(ii) Xinfu Mindacam was inactive during the past two years. The Board considered that the carrying amount of the investment was not recoverable and full impairment was made against the investment.

The Board considered that there was no material associate which warrants disclosure of separate financial information.

13 Long-term prepayments

	2015 RMB'000	2014 RMB'000
Prepayments for property, plant and equipment	**3,774**	32,315
Others	**206**	221
	3,980	32,536

14 Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	**35,061**	33,886
Work in progress	**18,598**	19,805
Finished goods	**70,324**	47,430
	123,983	101,121

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB142,614,000 and RMB138,987,000 for the years ended 31 December 2014 and 2015 respectively, which included inventory write-down of RMB1,856,000 (2014: RMB546,000).

15 Trade and other receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	**365,643**	339,498
Less: provision for impairment (a)	**(8,076)**	(6,871)
Less: non-current portion (b)	**(24,071)**	—
Trade receivables — net (c)	**333,496**	332,627
Bills receivable (d)	**2,898**	992
Prepayments	**10,134**	8,286
Receivables from disposal of subsidiaries (e)	**—**	12,520
Other receivables (f)	**11,075**	16,726
	357,603	371,151

As at 31 December 2015 and 2014, except for the prepayments which are not financial assets, the fair value of the trade and other receivables approximated its carrying amounts. As at 31 December 2015 and 2014, the carrying amounts of the trade and other receivables are denominated in RMB.

(a) As of 31 December 2015, trade receivables of RMB8,084,000 (2014: RMB6,914,000) were impaired. The amount of the provision was RMB8,076,000 as of 31 December 2015 (2014: RMB6,871,000). The ageing of these receivables is as follows:

	2015 RMB'000	2014 RMB'000
Up to 3 months	**87**	—
3 to 6 months	**26**	—
6 months to 12 months	**864**	—
1 year to 2 years	**356**	114
2 years to 3 years	**316**	745
Over 3 years	**6,435**	6,055
	8,084	6,914

The individually impaired receivables mainly relate to certain customers, which are in unexpected difficult economic situations.

(b) Non-current portion of the trade receivables

As of July 2015, Fert Technology entered into an agreement (the "Agreement") with a major customer who owed an amount of approximately RMB59,227,000 to Fert Technology. Pursuant to the Agreement, the customer should settle the amount in cash by monthly instalment of RMB2 million from August 2015 till the outstanding balance is fully settled, thus the carrying amount of the receivables has been adjusted down to current value of estimated future cash flow discounted by effective interest rate of 4.75%. The discounted carrying amount is RMB46,350,000 among which RMB24,071,000 will be due after 2016.

15 Trade and other receivables (Continued)

(c) As at 31 December 2015 and 2014, the ageing analysis of the trade receivables based on invoice date is as follows:

	2015 RMB'000	2014 RMB'000
Up to 3 months	109,088	144,552
3 to 6 months	54,014	80,059
6 months to 12 months	86,863	89,230
1 year to 2 years	98,756	16,761
2 years to 3 years	8,846	2,025
	357,567	332,627

Trade receivables arose mainly from Infusion Set Business and Orthopedic Implant Business, as sales from Regenerative Medical Biomaterial Business were normally settled by advance payments from customers. The Group agreed with the customers of Infusion Set Business and Orthopedic Implant Business in settling trade receivables with reference to credit periods within 180 days to 365 days or outstanding balances within certain limits. 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.

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

	2015 RMB'000	2014 RMB'000
At 1 January	6,871	7,849
Provision/(reversal) for impairment of receivables (Note 28)	1,205	(978)
At 31 December	8,076	6,871

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

(e) Movements on the receivables from disposal of subsidiaries are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	12,520	12,520
Cash receipt from disposal of subsidiaries	(1,000)	—
Provision for impairment of receivables from disposal of subsidiaries	(11,520)	—
At 31 December	—	12,520

As at 31 December 2015, full provision on the receivables from disposal of subsidiaries has been made as it was considered as uncollectible.

15 Trade and other receivables (Continued)

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

	2015 RMB'000	2014 RMB'000
Interest receivable	**1,517**	6,198
Advances to employees	**2,112**	2,890
Receivables on government grants	**—**	2,400
Deposits	**1,397**	1,936
Receivables from disposal of property, plant and equipment	**—**	1,480
Others	**6,049**	1,822
	11,075	16,726

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.

16 Restricted cash

	2015 RMB'000	2014 RMB'000
Restricted bank deposit	**—**	260,000

The restricted cash as of 31 December 2014 represented guaranteed deposits held in a separate reserve account pledged to the bank as security deposits under bank borrowing agreements. The carrying amount of the restricted cash is denominated in RMB.

17 Term deposits

	2015 RMB'000	2014 RMB'000
Term deposits	**40,000**	—

Term deposits are denominated in RMB and with original maturity within 1 year. The effective interest rate of these term deposits for the year ended 31 December 2015 was 3.46%.

18 Cash and cash equivalents

	2015 RMB'000	2014 RMB'000
Cash on hand	**705**	955
Cash at banks	**207,385**	144,361
Short-term bank deposits	**80,134**	8,500
	288,224	153,816

Short-term bank deposits are denominated in RMB and USD and with original maturity within 3 months. The effective interest rate of these deposits for the year ended 31 December 2015 was 1.07% (2014: 3.78%).

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

	2015 RMB'000	2014 RMB'000
RMB	**203,814**	127,767
HKD	**15,878**	16,388
USD	**68,428**	9,557
EUR	**104**	104
	288,224	153,816

19 Share capital and share premium

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Balance at 1 January 2014	1,660,000,000	1,026	1,647,840	1,648,866
Proceeds from employee share option exercised	16,926,761	10	10,582	10,592
Transfer from other reserves upon exercise of share option	—	—	15,982	15,982
Balance at 31 December 2014	1,676,926,761	1,036	1,674,404	1,675,440
Balance at 1 January 2015	**1,676,926,761**	**1,036**	**1,674,404**	**1,675,440**
Proceeds from employee share option exercised (a)	**13,407,407**	**8**	**8,656**	**8,664**
Share repurchases (b)	**(17,312,000)**	**(10)**	**(29,671)**	**(29,681)**
Transfer from other reserves upon exercise of share option (c)	**—**	**—**	**13,432**	**13,432**
Balance at 31 December 2015	**1,673,022,168**	**1,034**	**1,666,821**	**1,667,855**

(a) Options exercised during the year ended 31 December 2015 resulted in 13,407,407 shares being issued, with exercise proceeds of HKD10,614,000 (equivalent to RMB8,664,000). The related weighted average price of the Company's share at the time of exercise was HKD2.55 per share.

(b) The Company acquired 17,312,000 of its own shares through purchases on the Hong Kong Stock Exchange in 2015. The total amount paid to acquire the shares was RMB29,681,000 and has been deducted from share capital and share premium within shareholders' equity.

(c) Upon exercise of share options, share option reserve amounting to RMB13,432,000 (2014: RMB15,982,000) was transferred to share premium.

20 Other reserves

	Merger Reserve (i) RMB'000	Translation Reserve RMB'000	Capital reserve (ii) RMB'000	Share option reserve RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Balance at 1 January 2014	63,964	5,290	(1,703)	19,856	—	87,407
Currency translation differences	—	103	—	—	—	103
Change in value of available-for-sale financial assets	—	—	—	—	774	774
Disposal of available-for-sale financial assets	—	—	—	—	(774)	(774)
Transfer to share premium upon exercise of share options (Note19(c))	—	—	—	(15,982)	—	(15,982)
Share option reserve (Note29)	—	—	—	24,138	—	24,138
Balance at 31 December 2014	63,964	5,393	(1,703)	28,012	—	95,666
Currency translation differences	**—**	**1,232**	**—**	**—**	**—**	**1,232**
Transfer to share premium upon exercise of share options (Note19(c))	**—**	**—**	**—**	**(13,432)**	**—**	**(13,432)**
Share option reserve (Note29)	**—**	**—**	**—**	**(1,458)**	**—**	**(1,458)**
Balance at 31 December 2015	**63,964**	**6,625**	**(1,703)**	**13,122**	**—**	**82,008**

(i) The merger reserve represents: (a) the total consideration paid for the acquisition of subsidiaries under common control upon the Reorganisation; and (b) the cash contribution to the Group by the then equity owners.

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

21 Retained earnings

	Group
	RMB'000
At 1 January 2014	162,423
Profit for the year	176,630
At 31 December 2014	339,053
At 1 January 2015	339,053
Profit for the year	208,582
At 31 December 2015	547,635

Statutory reserves made by the PRC subsidiaries of the Company amounting to RMB12,545,000 (2014: RMB12,545,000) was included in retained earnings.

22 Share based payments

(i) Share options

On 6 July 2013, the Board approved a share option scheme (the "Scheme") for the issuance of aggregate of shares in issue on the listing date of the Company, representing 70,891,722 shares.

The purpose of the Scheme is to attract, retain and motivate employees and directors, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees and directors to participate in the growth and profitability of the Group.

The principal terms of the Scheme, approved and by resolution of our shareholders passed on 3 July 2013 and amended by resolution of our shareholders on 14 October 2013. The options under the Scheme shall vest in 4 equal tranches (being 25% of each option granted, and each tranche is hereinafter referred to as a "Tranche") on the four dates (day immediately following the expiry of 6 months after the 8 November 2013 (the "First Vesting Date"); first anniversary of the First Vesting Date (the "Second Vesting Date"); second anniversary of the First Vesting Date (the "Third Vesting Date") and third anniversary of the First Vesting Date (the "Last Vesting Date")), respectively with performance conditions. Details of the Scheme was disclosed in the circular dated 28 October 2013.

22 Share based payments (Continued)

(ii) Outstanding share options

Movements in the number of share options outstanding:

	Number of share options 2015	2014
At 1 January	**49,347,126**	70,891,722
Exercised	**(13,407,407)**	(16,926,761)
Forfeited	**(318,471)**	(4,617,835)
At 31 December	**35,621,248**	49,347,126

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2015 and 2014 are as follows:

Vesting date	**Exercise price**	Number of share options 2015	2014
7 May 2015	RMB0.63	**3,041,637**	16,449,044
7 May 2016	RMB0.63	**16,289,813**	16,449,049
7 May 2017	RMB0.63	**16,289,798**	16,449,033
		35,621,248	49,347,126

The exercisable period is 10 years from the grant date of the share options.

(iii) Fair value of share options

The directors of the Company have used the Binomial Model to determine the fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, was agreed by the management of the Group in applying the Binomial Model, which are summarised below.

Risk free rate	3.59%
Dividend yield	1.00%
Expected volatility	38.00%

The weighted average fair value of options granted was RMB0.94, RMB0.97, RMB0.99 and RMB1.00 respectively for each Tranche.

23 Trade and other payables

	2015 RMB'000	2014 RMB'000
Trade payables	**39,132**	29,126
Salary and staff welfare payables	**29,831**	34,350
Advances from customers	**20,733**	17,249
Payables for construction in progress	**40,597**	—
Provisions for sales rebate	**7,254**	9,049
Deposits	**5,487**	5,296
Payables for purchase of land use rights	**3,901**	3,901
Value added tax and other taxes	**7,579**	1,837
Professional service fee	**6,109**	1,067
Research and development expenses payables	**1,007**	—
Other payables	**8,636**	12,443
	170,266	114,318

As at 31 December 2015 and 2014, except for the salary and staff welfare payables, advances from customers and value added tax and other taxes which are not financial liabilities, all trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

As at 31 December 2015 and 2014, the ageing analysis of the trade payables based on invoice date are as follows:

	2015 RMB'000	2014 RMB'000
Up to 3 months	**25,697**	25,941
3 to 6 months	**10,754**	538
6 months to 12 months	**1,590**	1,777
1 year to 2 years	**344**	721
2 years to 3 years	**714**	12
Over 3 years	**33**	137
	39,132	29,126

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

24 Borrowings

	2015 RMB'000	2014 RMB'000
Current bank borrowings — secured/guaranteed	—	75,000

25 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:

	2015 RMB'000	2014 RMB'000
Deferred tax assets:		
— to be recovered within 12 months	10,179	14,777
	10,179	14,777
Deferred tax liabilities:		
— to be recovered after more than 12 months	(56,370)	(60,788)
— to be recovered within 12 months	(4,485)	(4,528)
	(60,855)	(65,316)
Deferred tax liabilities — net	(50,676)	(50,539)

25 Deferred income tax (Continued)

Movement in deferred income tax assets and liabilities during the year, 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	Provision for sales rebate	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	1,176	2,417	2,543	—	2,249	8,385
Recognised in consolidated income statement	(145)	58	504	278	3,046	3,741
Acquisition of a subsidiary	33	193	939	1,079	407	2,651
At 31 December 2014	1,064	2,668	3,986	1,357	5,702	14,777
At 1 January 2015	**1,064**	**2,668**	**3,986**	**1,357**	**5,702**	**14,777**
Recognised in consolidated income statement	**2,259**	**71**	**(4,032)**	**(269)**	**(2,627)**	**(4,598)**
At 31 December 2015	**3,323**	**2,739**	**(46)**	**1,088**	**3,075**	**10,179**

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 RMB41,498,000 (2014: RMB42,852,000). These tax losses will expire in 2016 to 2020.

Deferred tax liabilities:

	Fair value surplus arising from acquisition of subsidiaries	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2014	(16,079)	—	(16,079)
Acquisition of a subsidiary	(51,773)	—	(51,773)
Recognised in consolidated income statement	2,536	—	2,536
At 31 December 2014	(65,316)	—	(65,316)
At 1 January 2015	**(65,316)**	**—**	**(65,316)**
Recognised in consolidated income statement	**4,485**	**(24)**	**4,461**
At 31 December 2015	**(60,831)**	**(24)**	**(60,855)**

26 Deferred income

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

	2015	2014
	RMB'000	RMB'000
At beginning of year	**7,282**	2,241
Additions	**—**	5,400
Credited to income statements	**(1,113)**	(359)
At end of year	**6,169**	7,282

27 Other gains — net

	2015	2014
	RMB'000	RMB'000
Government grants		
— relating to costs	**6,977**	5,390
— relating to assets	**1,113**	359
Realised gain on available-for-sale financial assets	**422**	2,311
Sales of scraps	**27**	637
Gain/(loss) on disposal of property, plant and equipment	**15**	(303)
Others	**1,215**	(84)
	9,769	8,310

28 Expenses by nature

	2015 RMB'000	2014 RMB'000
Raw materials and consumable used	**61,996**	62,947
Changes in inventories of finished goods and work in progress (Note 14)	**(21,687)**	6,077
Employee benefits expenses (Note 29)	**136,596**	141,663
Depreciation of property, plant and equipment (Note 7)	**31,794**	24,043
Advertising, promotions and business development costs	**45,368**	50,812
Office and communication expenses	**8,574**	10,420
Direct research costs	**15,557**	24,527
Travelling and entertainment expenses	**11,954**	9,202
Taxes and levies	**10,745**	8,072
Provision/(Reversal) for impairment of receivables	**12,725**	(978)
Write-down of inventories	**1,856**	546
Low-value consumables	**1,511**	4,712
Operating lease payments	**5,865**	7,744
Transportation costs	**9,258**	6,524
Amortisation of land use rights (Note 6)	**1,356**	1,152
Amortisation of intangible assets (Note 8)	**27,186**	14,192
Professional fee	**12,327**	12,376
Auditor's remuneration		
— Audit services	**3,200**	2,400
— Non-audit services	**70**	—
Utilities	**12,160**	10,118
Others	**7,281**	6,063
Total cost of sales, selling expenses, administrative expenses and research and development expenses	**395,692**	402,612

29 Employee benefits expenses

	2015 RMB'000	2014 RMB'000
Wages, salaries and bonuses	**114,138**	100,145
Staff welfare	**6,967**	5,250
Social security costs	**13,337**	9,061
Housing fund	**3,612**	3,069
(Reversal)/recognition of share-based compensation expenses (i)	**(1,458)**	24,138
Total employee benefits expenses	**136,596**	141,663

(i) Pursuant to the principal terms of the Scheme (Note 22), certain performance conditions in respective fiscal years should be met before exercise of share options. Share-based compensation expenses recognised in prior years in relation to the third Tranche (4 tranches in total) was reversed given certain performance conditions in relation to 2015 were not met.

29 Employee benefits expenses (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2014:two) directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining four (2014: three) individuals during the year are as follows:

	2015	2014
	RMB'000	RMB'000
Share-based compensation	**1,640**	5,105
Wages, salaries and bonuses	**2,008**	1,560
Social security costs	**77**	147
Housing fund	**101**	55
	3,826	6,867

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2015	2014
Emolument bands		
Nil to HKD 1,000,000	**2**	—
HKD 1,000,001— HKD1,500,000	**1**	—
HKD 1,500,001— HKD2,000,000	**1**	1
HKD 2,500,001— HKD3,000,000	**—**	1
HKD 3,500,001— HKD4,000,000	**—**	1
	4	3

30 Finance income/costs — net

	2015 RMB'000	2014 RMB'000
Finance income:		
— Interest income on short-term bank deposits	**(6,281)**	(22,228)
Finance costs:		
— Interest expense on bank borrowings	**2,198**	15,744
— Net foreign exchange (gain)/loss	**(315)**	8,919
Less: amounts capitalised on qualifying assets	**(944)**	—
Total finance costs	**939**	24,663
Finance income/costs — net	**(5,342)**	2,435

31 Income tax expenses

	2015 RMB'000	2014 RMB'000
Current income tax	**44,574**	40,969
Deferred income tax (Note 25)	**137**	(6,277)
Income tax expenses	**44,711**	34,692

Below are the major tax jurisdictions that the Group operates during the year.

(a) Cayman Islands profits tax

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

(b) Hong Kong profits tax

Companies incorporated in Hong Kong are subject to the Hong Kong profits tax at a rate of 16.5% during the year.

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

Except for Beijing Tianxinfu, Fert Technology, Shenzhen Bone 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 year, based on the existing legislation interpretation and practices in respect thereof.

Beijing Tianxinfu, Fert Technology, Shenzhen Bone 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 year. 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.

31 Income tax expenses (Continued)

(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 1 January 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%.

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 the year.

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 consolidated entities as follows:

	2015 RMB'000	2014 RMB'000
Profit before income tax	**253,293**	211,322
Tax calculated at statutory tax rates applicable to profits in the respective countries	**63,323**	52,831
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	**(23,455)**	(23,489)
Tax losses for which no deferred income tax asset was recognised	**7,029**	6,086
Additional deductible allowance for research and development expenses (i)	**(2,076)**	(2,101)
Deemed income for tax purpose	**106**	383
Expenses not deductible for tax purpose	**1,260**	982
Adjustment in respect of prior years	**(1,476)**	—
Tax charge	**44,711**	34,692

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

32 Cash generated from operations

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

	2015 RMB'000	2014 RMB'000
Profit before income tax	**253,293**	211,322
Adjustments for:		
Depreciation of property, plant and equipment (Note 7)	**31,794**	24,043
Amortisation of land use rights (Note 6)	**1,356**	1,152
Amortisation of intangible assets (Note 8)	**27,186**	14,192
Finance costs (Note 30)	**1,254**	15,744
(Gain)/loss on disposal of property, plant and equipment (Note 27)	**(15)**	303
Realised gain on available-for-sale financial assets (Note 10)	**(422)**	(2,311)
Share-based compensation expenses	**(1,458)**	24,138
Interest income (Note 30)	**(6,281)**	(22,228)
Unrealised exchange gain	**(3,091)**	—
Provision/(reversal) for impairment of receivables	**12,725**	(978)
	316,341	265,377
Change in working capital		
Inventories	**(22,862)**	3,533
Trade and other receivables	**(25,728)**	(128,905)
Amounts due to related parties	**—**	(66)
Deferred income	**(1,113)**	(359)
Trade and other payables	**45,139**	(1,496)
Cash generated from operating activities	**311,777**	138,084

32 Cash generated from operations (Continued)

(b) In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2015 RMB'000	2014 RMB'000
Net book amount (Note 7)	**4,909**	2,610
Receipt of consideration for disposals in prior year/(outstanding considerations) (Note 15)	**1,480**	(1,480)
Gain/(loss) on disposal of property, plant and equipment (Note 27)	**15**	(303)
Proceeds from disposal of property, plant and equipment	**6,404**	827

(c) In the consolidated cash flow statement, disposal of subsidiaries comprise:

	2015 RMB'000	2014 RMB'000
Cash receipt from disposal of subsidiaries	**1,000**	3,000
	1,000	3,000

33 Contingencies

During the year ended December 31, 2015, one of the Group's subsidiaries (the "Subsidiary") received a Demand for Response Notice (應訴通知書) and corresponding litigation materials from Beijing Intellectual Property Court (北京知識產權法院), in which the plaintiff proposed a civil action against the Subsidiary and its original investors before it was being acquired by the Group (collectively, the "Defendants") due to the dispute arising from the Technology Development Agreement (技術開發合同). The plaintiff required the Defendants to be liable for the profit dividend and interest of RMB10 million and the litigation costs of the case of RMB81,800. The directors of the Company and the Group's attorney agent considered that since the Subsidiary is not the principal of the said Technology Development Agreement, the court of the first instance will reject the litigation request of the plaintiff eventually. Therefore, the case will not make any substantial impact to the Group, nor will result in any loss.

34 Commitments

(a) Capital commitments

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

	2015 **RMB'000**	2014 RMB'000
Property, plant and equipment	**175,503**	24,482

(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 one-month notice for the termination of these agreements. The lease expenditure and related management fee, water and electricity (if necessary) charged to the consolidated income statement during the year are disclosed in Note 28.

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

	2015 **RMB'000**	2014 RMB'000
No later than 1 year	**4,338**	3,387
Later than 1 year and no later than 5 years	**6,808**	9,283
	11,146	12,670

35 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.

Saved as disclosed, elsewhere in the report during the year, 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.

(a) Key management compensation

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	**3,185**	2,349
Share-based compensation	**2,374**	8,265
	5,559	10,614

36 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year (Note 19).

	2015	2014
Profit attributable to owners of the Company (RMB'000)	**208,582**	176,630
Weighted average number of ordinary shares in issue (thousands)	**1,674,883**	1,670,397
Basic earnings per share (RMB cents per share)	**12.45**	10.57

36 Earnings per share (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share options. The share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2015	2014
Profit attributable to owners of the Company (RMB'000)	**208,582**	176,630
Weighted average number of ordinary shares in issue (thousands)	**1,674,883**	1,670,397
Adjustments for share options (thousands)	**19,574**	44,868
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,694,457**	1,715,265
Diluted earnings per share (RMB cents per share)	**12.31**	10.30

37 Dividends

The Board does not propose a final dividend for the year ended 31 December 2015 (2014: Nil).

38 Events after the balance sheet date

The Company repurchased 20,666,000 shares in January 2016 at a total consideration of HKD32,439,000. The shares have subsequently been cancelled in February 2016.

39 Balance sheet and reserve movement of the Company

	Notes	As at December 31, 2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Investments in and loans to subsidiaries		**571,633**	572,394
Current assets			
Amounts due from subsidiaries		**1,060,497**	1,071,634
Trade and other receivables		**244**	48
Restricted cash		**—**	—
Cash and cash equivalents		**20,244**	24,179
		1,080,985	1,095,861
Total assets		**1,652,618**	1,668,255
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**1,034**	1,036
Share premium		**1,666,821**	1,674,404
Other reserves	(a)	**22,463**	28,012
Accumulated losses	(a)	**(48,971)**	(44,739)
Total equity		**1,641,347**	1,658,713
Liabilities			
Current liabilities			
Amounts due to subsidiaries		**10,316**	8,713
Trade and other payables		**955**	829
		11,271	9,542
Total liabilities		**11,271**	9,542
Total equity and liabilities		**1,652,618**	1,668,255

The balance sheet of the Company was approved by the Board of Directors on March 29, 2016 and was signed on its behalf.

Yue'e Zhang
Director

Jiang Liwei
Director

39 Balance sheet and reserve movement of the Company (Continued)

(a) Reserve movement of the Company

	Accumulated losses RMB'000	Other reserves RMB'000
At 1 January 2014	(27,997)	19,856
Profit for the year	(16,742)	—
Transfer to share premium upon exercise of share option (Note 19)	—	(15,982)
Share option reserve	—	24,138
At 31 December 2014	(44,739)	28,012
At 1 January 2015	**(44,739)**	**28,012**
Profit for the year	**(4,232)**	**—**
Currency translation differences	**—**	**9,341**
Transfer to share premium upon exercise of share option (Note 19)	**—**	**(13,432)**
Share option reserve	**—**	**(1,458)**
At 31 December 2015	**(48,971)**	**22,463**

40 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

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

For the year ended 31 December 2015

Name of directors	Share-based compensation RMB'000	Wages, salaries and bonuses RMB'000	Fees RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chief executive officer and executive director					
— Ms. Yue'e Zhang	—	862	—	—	862
— Mr. Jiang Liwei	698	1,504	—	33	2,235
Non-executive directors					
— Mr. Lin Junshan	1,396	300	—	—	1,696
— Mr. Fang Min (i)	—	—	—	—	—
— Mr. Feng Dai (ii)	—	—	—	—	—
Independent non-executive directors					
— Mr. Chen Geng	140	—	162	—	302
— Mr. Wang Xiaogang	140	—	162	—	302
— Mr. Zhang Xingdong	—	—	162	—	162

(i) Mr. Fang Min was appointed on 20 March 2015 and resigned on 25 August 2015.

(ii) Mr. Feng Dai was resigned on 20 March 2015.

40 Benefits and interests of directors (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2014 (restated)

Name of directors	Share-based compensation RMB'000	Wages, salaries and bonuses RMB'000	Fees RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chief executive officer and executive director					
— Mr. Jiang Liwei	2,431	1,500	—	75	4,006
Non-executive directors					
— Mr. Lin Junshan	4,862	300	—	—	5,162
— Ms. Yue'e Zhang (i)	—	—	—	—	—
— Mr. Feng Dai	—	—	—	—	—
Independent non-executive directors					
— Mr. Chen Geng	486	—	158	—	644
— Mr. Wang Xiaogang	486	—	158	—	644
— Mr. Zhang Xingdong	—	—	158	—	158

(i) Ms. Yue'e Zhang was elected as the chairman of the Board and was re-designated from a non-executive director to an executive director on 3 February 2015.

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

"2016 AGM"	the 2016 AGM to be held on May 31, 2016
"AGM"	annual general meeting of the Company
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Beijing Tianxinfu"	Beijing Tianxinfu Medical Appliance Co., Ltd. (北京天新福醫療器材有限公司), a limited liability company established in the PRC on January 18, 2002 and acquired by the Group in August 2014
"CEO"	chief executive officer of our Company
"CFDA"	the China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局)
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Company", "our Company", "Group", "our Group", "PW Medtech", "we" or "us"	PW Medtech Group Limited (普华和顺集团公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011 and except where the context indicated otherwise its subsidiaries
"Company Secretary"	the secretary of the Company
"Director(s)"	the director(s) of our Company
"EPS"	earnings per Share
"Fert Technology"	Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司), a limited liability company established under the laws of the PRC on September 23, 1997 and indirectly wholly owned by the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Infusion Set Business"	the development, manufacturing and sale of advanced infusion set products
"IPO"	the Company's initial public offering of its Shares
"Listing Date"	November 8, 2013, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Orthopedic Implant Business"	the development, manufacturing and sale of orthopedic implants products
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on July 3, 2013 and amended on October 14, 2013
"Prospectus"	the prospectus of the Company dated October 28, 2013
"PVC"	polyvinyl chloride, a type of plastic material
"R&D"	research and development
"Regenerative Medical Biomaterial Business"	the development, manufacturing and sale of regenerative medical biomaterial products
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value US$0.0001 each in the issued share capital of our Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on October 14, 2013
"Shenzhen Bone"	Shenzhen Bone Medical Device Co., Ltd. (深圳市博恩醫療器材有限公司), a limited liability company established under the laws of the PRC on November 12, 2002 and indirectly wholly owned by the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Walkman Biomaterial"	Tianjin Walkman Biomaterial Co., Ltd. (天津市威曼生物材料有限公司), a limited liability company established under the laws of the PRC on November 8, 2001 and indirectly wholly owned by the Company
"Xuzhou Yijia"	Xuzhou Yijia Medical Device Co., Ltd. (徐州一佳醫療器械有限公司), a limited liability company established under the laws of the PRC on June 30, 2003 and directly wholly owned by Fert Technology
"%"	per cent

PW MEDTECH GROUP LIMITED

普华和顺集团公司

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