PW MEDTECH GROUP LIMITED
普华和顺集团公司

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

2018
INTERIM REPORT

A TRUE PIONEER IN CHINA'S MEDICAL DEVICE 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 a leading market position in our current business segment of advanced infusion sets, with strong research and development capabilities and well-established distribution networks.

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DEFINITIONS

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

"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CBPO"	China Biologic Products Holdings, Inc., a Cayman Islands exempted company, which changed its domicile from Delaware to the Cayman Islands on July 21, 2017 and has been listed on the NASDAQ Stock Market since 2009
"CEO"	chief executive officer of the Company
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "Group", "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
"Director(s)"	the director(s) of the Company
"Health Forward"	Health Forward Holdings Limited, a company incorporated under the laws of Hong Kong on January 21, 2010, the equity interests of which held by the Company were disposed of in January 2018
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Infusion Set Business"	the R&D, 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
"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

"R&D"	research and development
"Regenerative Medical Biomaterial Business"	the R&D, manufacturing and sale of regenerative medical biomaterial products
"Relevant Period"	the six months ended June 30, 2018
"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 the Company
"Share Exchange Agreement"	the share exchange agreement entered into between the Company and CBPO on October 12, 2017
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on October 14, 2013
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianxinfu"	Tianxinfu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有限公司), a joint stock company established in the PRC on January 18, 2002, the equity interests of which held by the Company were disposed of in January 2018
"%"	per cent

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

BDO Limited
25th Floor Wing On Centre
111 Connaught Road 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

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House, 75 Fort Street
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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND MARKET REVIEW

Medical device industry is a knowledge-intensive and capital-intensive industry with cross-interaction between various high-tech sectors such as biology engineering, digital information and medical imaging. As an emerging strategic industry that closely relates to the human health and is supported by tremendous and stable market demand, the global medical device industry has been maintaining sound growth momentum for a long time. In recent years, with the continuous growth of the Chinese economy, citizens' health awareness is continuously enhancing, the aging of the population is increasing and the scale of the domestic medical device market continues to expand.

Benefitted from supportive government policies and increase in industry demand, the investment in R&D of medical devices in the PRC has been increasing gradually. The proportion of R&D investment in revenue of some domestic leading medical device companies has exceeded such proportions of certain leading companies overseas, and the core innovative strength of such domestic companies continues to enhance. At the beginning of this year, China Food and Drug Administration published the Planning for Medical Device Standards (2018–2020) (《醫療器械標準規劃(2018–2020年)》). It is proposed that by 2020, a medical device standard system that basically meets the regulatory requirements for medical devices will be established, and the formulation and revision of 300 standards will be completed, which will further enhance the standards for medical devices and promote the innovative development of medical devices. With the support of favourable national policies, we expect that the medical device industry will embrace development opportunities for rapid growth and will develop in a more regulated and safer manner.

The Company is a leading medical device company in the PRC with a focus on fast-growing and high-margin segments of medical device industry of the PRC. The Group has been proactively exploring new markets with growth potential and striving to capture every market opportunity to reinforce its leading position in the industry. In the first half of 2018, the Group continued to further expand its product portfolio and productive capacity, enhance its innovation and R&D capabilities, and actively expand its distribution network. While continuously stepping up its efforts in developing the advanced infusion sets sector, the Group also made proactive efforts to explore the medical cosmetic sector. It has completed the share exchange with CBPO at the beginning of the year, thereby further optimizing its layout of high growth businesses.

For the first half of 2018, the Group's revenue from continuing operations was RMB143.0 million, representing an increase of 9.8% over the corresponding period of the previous year. For the Relevant Period, the Group's profit for the period and profit attributable to owners of the Company from continuing operations amounted to RMB38.7 million and RMB38.3 million, respectively, representing an increase of 50.8% and 47.8% over the corresponding period of the previous year, respectively. The Group recorded a gross profit from continuing operations of approximately RMB87.8 million during the Relevant Period, representing an increase of 8.5% over the corresponding period of the previous year. The overall gross profit margin of the Group during the Relevant Period was approximately 61.4%.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

With regard to the Infusion Set Business, in order to provide safer infusion sets with higher quality and reinforce our leading market position, the Group has been focusing on the R&D and continuous improvement of manufacturing materials for infusion sets, so as to offer a safer and more efficient medical solution to users. Over the years, the Group has maintained its leading position in the domestic advanced infusion sets market. Meanwhile, the Group's disposable intravenous cannula products recorded rapid development. It is expected that the cannula market, in which the Group is conducting R&D activities, will continue to grow and the Group's market share will continue to increase.

MANAGEMENT DISCUSSION AND ANALYSIS

Leveraging on its extensive experience and cutting-edge technologies in the medical biomaterial sector, in 2016, the Group entered into the cosmetic industry and launched its latest product "LE SEUL (諾頌)", a medical-cosmetic-graded mask brand. Since its launch, "LE SEUL" introduced a wide selection of innovative products, generally tackling various skin conditions of consumers. Meanwhile, "LE SEUL" not only launched online marketing campaign through multiple channels, but also commenced offline promotional activities to publicize up-to-date medical-cosmetic skincare concept, which attracted numerous consumers to participate in. The Group will continue to uphold a prudent approach in developing more quality medical skincare products, with a view to optimizing market layout and expanding its market share, and further catering to the needs of the public for basic and mid-to-high end skincare products and providing users with better skincare experience.

In order to allocate resources in a more effective manner and maximize corporate value, the Company entered into the Share Exchange Agreement with CBPO on October 12, 2017, pursuant to which, the Company agreed to subscribe for 16.66% of the enlarged issued share capital of CBPO in consideration of all the issued shares of Health Forward, which in turn owns 80% equity interest in Tianxinfu. CBPO enjoys a leading market position in the domestic blood product industry. Upon completion of the transaction on January 1, 2018, the Company became the single largest shareholder of CBPO, which marked the Group's formal expansion into the plasma-based pharmaceutical industry with huge growth potential. The Group also enhanced its comprehensive competitiveness. In the future, it is expected that demand for blood products in the PRC will continue to increase and there will be enormous growth potential for the industry.

Emphasis on Innovation and R&D

As an industry leader in the development of innovative products, the Group has a R&D team consisting of approximately 100 experienced members. The team cooperates closely with surgeons, hospitals (especially Class III Grade A hospitals), first class university research centers and other research institutions. As of June 30, 2018, the Group owned 61 patents for advanced infusion set products. Furthermore, the Group has applied for 17 new patents. The Group will continue to invest in product innovation and R&D to consolidate its leading position in the industry.

Expansion of Distribution Network

The Group currently has an experienced and dedicated team of professional sales and marketing staff to support and consolidate distribution networks in 31 provinces, municipalities and autonomous regions in China, and enhance products promotion for its business segment. Our core salesmen have an average of ten years of experience in their respective fields, and half of them have medical training backgrounds, which enables us to communicate with doctors and nurses in a professional and effective manner. The Group has made certain restructuring to its sales team with a view to enhancing the overall sales efficiency.

Strategic Acquisitions

Benefited from the driving force on the supply side and the supportive government policies, the medical device industry in China has entered into a sustained rapid growing phase. According to the Annual Report on the Development of the Medical Device Industry in China (2017) (中國醫療器械行業發展報告(2017)), it is anticipated that the medical device industry in China would continue to maintain an annual growth rate of 10% or above in the next decade. Under the general trend of merger and acquisition of similar products and industry chain as well as platform acquisition, the wave of integrating and upgrading the domestic medical device industry has emerged. In order to seize the market opportunities, the Group will actively keep abreast of the development trend of the industry and continue to seek fast-growing, high-margin and high-potential opportunities within and outside of our current business segments so as to scale up the existing business and expand into new business areas.

FINANCIAL REVIEW

Overview

	Six months ended June 30, 2018 RMB'000	2017 RMB'000 (Restated)	Change
Continuing operations			
Revenue	**142,993**	130,276	9.76%
Gross profit	**87,798**	80,884	8.55%
Profit for the period from continuing operations	**38,656**	25,638	50.78%
Discontinued operations			
Profit for the period from discontinued operations			
— Regenerative Medical Biomaterial Business*	**—**	65,875	Not applicable
Profit for the period	**1,588,142**	91,513	1,635.43%
Profit attributable to owners of the Company	**1,587,833**	81,717	1,843.09%

* On January 1, 2018, the Group completed the transfer of its entire interests in Health Forward to CBPO, which was mainly engaged in the regenerative medical biomaterial business. The operations of Health Forward are classified as discontinued operations in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2017. The operations of the Company and the other remaining subsidiaries, which are mainly engaged in the infusion set business and other businesses, are presented in the Group's consolidated income statement as continuing operations. The consolidated statement of profit or loss and other comprehensive income for the comparative period is also restated on the aforesaid basis.

Revenue from continuing operations

The revenue of the Group from continuing operations increased by 9.8% from approximately RMB130.3 million for the six months ended June 30, 2017 to approximately RMB143.0 million for the Relevant Period, as a result of an increase in sales of the infusion set business in the continuing operations. Such increase was mainly due to: (i) an increase in sales of disposable intravenous cannula, which amounted to RMB6.0 million; and (ii) an increase in sale volume of infusion sets.

Gross Profit from continuing operations

The Group's gross profit from continuing operations increased by 8.6% from approximately RMB80.9 million for the six months ended June 30, 2017 to approximately RMB87.8 million for the Relevant Period. The gross profit margin of continuing operations during the Relevant Period was 61.4%, slightly decreased by 0.7% from 62.1% for the six months ended June 30, 2017.

Selling Expenses of continuing operations

Selling expenses of continuing operations increased by 27.7% from approximately RMB24.7 million for the six months ended June 30, 2017 to approximately RMB31.6 million for the Relevant Period. The increase in selling expenses was mainly attributable to the expansion of distribution networks and product promotion.

Administrative Expenses of continuing operations

Administrative expenses of continuing operations decreased by 53.6% from approximately RMB25.6 million for the six months ended June 30, 2017 to approximately RMB11.9 million for the Relevant Period. The decrease in administrative expenses was mainly due to the reversal of impairment allowances for trade receivables amounted to RMB12.8 million as a result of the adoption of HKFRS 9, details can be found in Note 3.

R&D Expenses of continuing operations

R&D expenses of continuing operations increased by 135.7% from approximately RMB5.2 million for the six months ended June 30, 2017 to approximately RMB12.2 million for the Relevant Period, mainly because the Group conducted more R&D activities.

Other Losses/Gains — net, of continuing operations

Other losses — net, of continuing operations in the Relevant Period amounted to approximately RMB27.0 million, as compared to other gains — net, of continuing operations of approximately RMB5.7 million in the corresponding period of the previous year, mainly because: (i) a loss on deemed disposal amounted to RMB7.8 million caused by the dilution of equity interest in CBPO held by the Group from 16.66% to 16.61% due to the exercise of share options by grantee of CBPO during the Relevant Period; and (ii) a loss accrued for the joint guarantee liability disclosed in Note 6(a) amounted to RMB23.2 million.

Income Tax Expenses of continuing operations

Income tax expenses of continuing operations for the Relevant Period amounted to approximately RMB7.2 million, representing an increase of approximately RMB0.7 million as compared with the corresponding period of the previous year, which was due to the increase in profit before income tax after excluding the impact of loss on deemed disposal of CBPO, share of result of CBPO and the loss on joint guarantee liability.

Profit from discontinued operations

A breakdown of the performance result of discontinued operations can be found in Note 23 to the consolidated financial statements for the Relevant Period.

Gain on disposal of subsidiaries, net of tax

As disclosed in Note 19 to the consolidated financial statements for the Relevant Period, the Company and CBPO entered into the Share Exchange Agreement on October 12, 2017, pursuant to which the Company agreed to subscribe for a total of 5,521,000 new shares of CBPO in consideration of disposal of the entire issued share capital of Health Forward, which in turn owns 80% equity interest in Tianxinfu. Upon the closing of such transaction on January 1, 2018, the Company became the single largest shareholder of CBPO. The gain arising from the disposal amounted to approximately RMB1,549.5 million.

Net Profit from continuing operations

As disclosed in Note 14 to the consolidated financial statements for the Relevant Period, the investment in CBPO is classified as interest in an associate and has been accounted for in the condensed consolidated interim financial statements using equity method, and share of result of CBPO during the Relevant Period amounted to RMB39.7 million, after deducting amortization of intangible assets arising from the acquisition amounted to RMB21.3 million during the Relevant Period.

For the foregoing reasons, the net profit from continuing operations of the Group for the Relevant Period increased by 50.8%, from approximately RMB25.6 million for the six months ended June 30, 2017 to RMB38.7 million for the Relevant Period.

Trade and Other Receivables

The Group's trade receivables primarily comprised the outstanding payment from credit sales. As of June 30, 2018, the trade receivables including current and non-current portions of the Group was approximately RMB195.6 million, representing an increase of approximately RMB4.4 million as compared to approximately RMB191.2 million as of December 31, 2017. Save as disclosed in Note 16 to the consolidated financial statements for the Relevant Period, the increase was mainly the net result of: (i) increase caused by recovery of impairment allowance amounted to RMB12.8 million due to the initial application of HKFRS 9 Financial Instruments and (ii) decrease of carrying amount by RMB6.5 million caused by more efficient collection procedures for the Relevant Period.

Inventories

Inventories remained stable at approximately RMB46.0 million as of June 30, 2018 compared to approximately RMB45.8 million as of December 31, 2017.

Property, Plant and Equipment

Property, plant and equipment included buildings, machinery and equipment and construction in progress. As of June 30, 2018, the property, plant and equipment of the Group amounted to approximately RMB894.7 million, representing an increase of approximately RMB56.9 million, as compared to approximately RMB837.8 million as of December 31, 2017. The increase was primarily due to the construction of facilities to expand production capacities of continuing operations in an amount of approximately RMB66.3 million during the Relevant Period.

Intangible Assets

The Group's intangible assets mainly included goodwill, technology know-how, trademarks, computer software and customer relationship. The Group's goodwill, technology know-how and trademarks were mainly identified and recorded during the purchase accounting process for the acquisitions of subsidiaries in prior years. The goodwill is subject to impairment test at each period end, while the technology know-how and trademarks are amortised with straight line method for 15 years. As of June 30, 2018, the net value of the Group's intangible assets was RMB186.1 million, representing a decrease of RMB1.7 million as compared to RMB187.8 million as of December 31, 2017. The decrease was primarily due to the amortisation of the intangible assets during the Relevant Period.

Financial Resources and Liquidity

As at June 30, 2018, the Group's cash and bank balances amounted to approximately RMB90.1 million (December 31, 2017: RMB364.3 million). As of June 30, 2018 and as of December 31, 2017, the Group's bank borrowing balances were both nil.

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

Cash Flows from Operating Activities

During the Relevant Period, the net cash generated from operating activities amounted to RMB36.2 million, representing a decrease by RMB25.8 million as compared to RMB62.0 million for the corresponding period of the previous year.

Pledge of Assets

Save as those disclosed in Note 22 to the Group's condensed consolidated interim financial information, during the Relevant Period, 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, R&D or other services with it.

Commitments

As of June 30, 2018, the Group had a total capital commitment of approximately RMB25.3 million, comprising mainly contracted capital expenditure for construction and acquisition of property, plant and equipment.

Contingent Liabilities

Save as those disclosed in Note 22 to the Group's condensed consolidated interim financial information, the Group had no material contingent liability or guarantee to third parties as of June 30, 2018.

Capital Expenditure

During the Relevant Period, the Group incurred capital expenditure of RMB66.3 million (for the six months ended June 30, 2017: RMB147.4 million) on the expansion of the plants and procurement of equipments.

Gearing Ratio

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings divided by total capital. Since there was no borrowing as at June 30, 2017 and 2018, the gearing ratio was nil.

Foreign Exchange Risk

The Group mainly operated its business in the PRC and was exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar during the Relevant Period. Foreign exchange risk arose from foreign currencies held in certain overseas subsidiaries. The Group did not hedge against any fluctuation in foreign currency during the Relevant Period. The management of the Group may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

Cash Flow and Fair Value Interest Rate Risk

Other than bank balances with variable interest rates, the Group had no other significant interest-bearing assets. The management of the Group 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.

Credit Risk

The carrying amounts of cash and cash equivalents, financial asset at fair value through profit or loss 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 and financial asset at fair value through profit or loss is limited because the counterparties are banks with good reputation and most of them are stated-owned commercial banks in China or public listed companies. Most of the bank deposits of the Group are placed with 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 taking 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 reviewed the recoverable amount of each individual trade and other receivable balance at the end of the Relevant Period to ensure adequate impairment losses are made for irrecoverable amounts.

SUPPLEMENTARY INFORMATION

USE OF PROCEEDS

The net proceeds from the IPO amounted to approximately HK$1,348.7 million (equivalent to approximately RMB1,059.8 million) after deducting share issuance costs and listing expenses. As at June 30, 2018, the proceeds raised by the Company from the IPO had been fully utilized. During the Relevant Period, 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.

HUMAN RESOURCES

As at June 30, 2018, the Group had a total of 1,203 employees (December 31, 2017: 1,322 employees). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, 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 Group has designed an evaluation system to assess the performance of its employees. This system forms the basis of the Group's determination on employees' salaries, bonuses and promotions. We believe the salaries and bonuses that the Group's employees receive are competitive with market rates. Under applicable PRC laws and regulations, the Group is subject to social insurance contribution plans, work-related injury insurance and maternity insurance schemes.

We place a strong emphasis on providing training to our employees in order to enhance their technical and product knowledge as well as comprehension of industry quality standards and work place safety standards. We also provide regular on-site and off-site training to help our employees to improve their skills and knowledge. These training courses range from further educational studies in basic product process and skill training to professional development courses for its management personnel.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Relevant Period (six months ended June 30, 2017: nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its Shareholders as a whole. The Company has adopted the code provisions as set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Relevant Period.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

SUPPLEMENTARY INFORMATION

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 his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Relevant Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Relevant Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The Audit Committee, comprising Mr. Wang Xiaogang, Mr. Chen Geng and Mr. Lin Junshan, has discussed with the management and the external auditor and reviewed the unaudited condensed consolidated interim financial information of the Group for the Relevant Period.

In addition, the Company's external auditor, BDO Limited, has performed an independent review of the Group's condensed consolidated interim financial information for the Relevant Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Based on their review, BDO Limited confirmed that nothing has come to their attention that causes them to believe that the unaudited condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 2018, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any 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	2,638,714	0.17%
Mr. LIN Junshan	Beneficial owner	1,673,427	0.11%
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. CHEN Geng	Beneficial owner	318,471	0.02%
Mr. WANG Xiaogang	Beneficial owner	318,471	0.02%

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" below.

\+ The percentage represents the number of ordinary Shares/underlying Shares interested divided by the number of the issued Shares as at June 30, 2018.

Save as disclosed above and in the section headed "Pre-IPO Share Option Scheme" and to the best knowledge of the Directors, as at June 30, 2018, none of the Directors or the chief executive of the Company had 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 they are 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 June 30, 2018, 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	34.88%
Ms. Yufeng LIU	1	Interest of a controlled corporation	547,061,863	34.88%
Mr. ZHANG Zaixian	2	Interest of spouse	547,061,863	34.88%
Right Faith Holdings Limited		Beneficial owner	393,385,962	25.08%
Mr. Marc CHAN	3	Interest of controlled corporations	408,385,962	26.03%

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 15,000,000 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 June 30, 2018.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2018, no person had registered an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

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 732,719 Shares, representing approximately 0.05% of the issued share capital of the Company as at the date of this interim report.

Details of the movement of the options granted under the Pre-IPO Share Option Scheme for the Relevant Period are as follows:

	Number of options					
Name or category of option holders	**Outstanding as at January 1, 2018**	**Granted during the Relevant Period**	**Exercised during the Relevant Period** (Note)	**Cancelled during the Relevant Period**	**Lapsed during the Relevant Period**	**Outstanding as at June 30, 2018**
Directors						
Mr. JIANG Liwei	—	—	—	—	—	—
Mr. LIN Junshan	—	—	—	—	—	—
Mr. CHEN Geng	318,471	—	—	—	—	318,471
Mr. WANG Xiaogang	318,471	—	—	—	—	318,471
Senior management and other employees of the Group						
In aggregate	95,777	—	—	—	—	95,777
Total	732,719	—	—	—	—	732,719

Note: The exercise price per Share of the above options granted is 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 the 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, and 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 is not subject to, the regulations under Chapter 17 of the Listing Rules.

SUPPLEMENTARY INFORMATION

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 the 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 10.20% of the total issued share capital of the Company as at the date of this interim 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 option has been granted under the Share Option Scheme since its adoption and up to the date of this interim 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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TO THE BOARD OF DIRECTORS OF PW MEDTECH GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of PW Medtech Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 18 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate Number P05309
Hong Kong, 29 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000 (Restated)
Continuing operations			
Revenue	5	**142,993**	130,276
Cost of sales	5	**(55,195)**	(49,392)
Gross profit		**87,798**	80,884
Selling expenses		**(31,586)**	(24,732)
Administrative expenses		**(11,897)**	(25,640)
Research and development expenses		**(12,229)**	(5,188)
Other (losses)/gains — net	6	**(27,030)**	5,735
Operating profit		**5,056**	31,059
Finance income — net		**1,174**	1,122
Share of result of an associate		**39,651**	—
Profit before income tax	7	**45,881**	32,181
Income tax expense	8	**(7,225)**	(6,543)
Profit for the period from continuing operations		**38,656**	25,638
Discontinued operations			
Gain on disposal of subsidiaries, net of tax	19	**1,549,486**	—
Profit for the period from discontinued operations	23	**—**	65,875
Profit for the period		**1,588,142**	91,513
Profit attributable to:			
Owners of the Company		**1,587,833**	81,717
Non-controlling interests		**309**	9,796
		1,588,142	91,513
Profit attributable to owners of the Company arises from:			
Continuing operations		**38,347**	25,943
Discontinued operations		**1,549,486**	55,774
		1,587,833	81,717

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the period (expressed in RMB cents per share)			
Basic earnings per share			
From continuing operations	9	2.44	1.64
From discontinued operations	9	98.78	3.53
From profit for the period		101.22	5.17
Diluted earnings per share			
From continuing operations		2.44	1.64
From discontinued operations		98.75	3.52
From profit for the period		101.19	5.16
Profit for the period		1,588,142	91,513
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets		–	3,930
Currency translation differences		(156)	(56)
Share of exchange differences reserve of an associate		(10,923)	
Reclassification from exchange differences reserve to profit or loss on disposal of subsidiaries	19	(8,342)	–
Reclassification from exchange differences reserve to profit or loss on deemed disposal of an associate		33	–
Other comprehensive income for the period		(19,388)	3,874
Total comprehensive income for the period		1,568,754	95,387
Total comprehensive income for the period attributable to:			
Owners of the Company		1,568,445	84,805
Non-controlling interests		309	10,582
		1,568,754	95,387
Total comprehensive income attributable to owners of the Company arises from:			
Continuing operations		18,959	26,130
Discontinued operations		1,549,486	58,675
		1,568,445	84,805

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Assets			
Non-current assets			
Land use rights	11	46,596	47,118
Property, plant and equipment	12	894,733	837,820
Intangible assets	13	186,130	187,811
Interest in an associate	14	2,862,614	—
Deferred income tax assets		3,630	5,412
Long-term prepayments	15	8,281	8,486
Trade receivables	16	10,027	30,200
		4,012,011	1,116,847
Current assets			
Inventories		45,972	45,807
Amount due from an associate		27,722	—
Amounts due from disposal group	19	—	27,722
Trade and other receivables	16	261,323	243,330
Financial asset at fair value through profit or loss	24	7,000	—
Prepaid income tax		1,991	1,759
Cash and cash equivalents		90,125	364,259
		434,133	682,877
Assets of disposal group classified as held for sale	19	—	1,368,929
		434,133	2,051,806
Total assets		4,446,144	3,168,653
Equity			
Share capital	17	964	964
Share premium		1,492,318	1,492,318
Other reserves		382,515	401,903
Retained earnings		2,450,998	864,668
Equity attributable to owners of the Company		4,326,795	2,759,853
Non-controlling interests		(536)	183,661
Total equity		4,326,259	2,943,514

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		9,132	28,714
Deferred income		983	1,083
		10,115	29,797
Current liabilities			
Amount due to an associate		28,267	—
Amounts due to disposal group	19	—	28,330
Trade and other payables	18	81,503	54,826
		109,770	83,156
Liabilities of disposal group classified as held for sale	19	—	112,186
		109,770	195,342
Total liabilities		119,885	225,139
Total equity and liabilities		4,446,144	3,168,653

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 17)	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 31 December 2017 as originally presented	964	1,492,318	401,903	864,668	2,759,853	183,661	2,943,514
Initial application of HKFRS 9, net of tax (Note 3)	–	–	–	(1,503)	(1,503)	–	(1,503)
Balance at 1 January 2018	964	1,492,318	401,903	863,165	2,758,350	183,661	2,942,011
Comprehensive income							
Profit for the period	–	–	–	1,587,833	1,587,833	309	1,588,142
Currency translation differences	–	–	(156)	–	(156)	–	(156)
Share of exchange differences reserve of an associate	–	–	(10,923)	–	(10,923)	–	(10,923)
Reclassification from exchange differences reserve to profit or loss on deemed disposal of an associate	–	–	33	–	33	–	33
Reclassification from exchange differences reserve to profit or loss on disposal of subsidiaries (Note 19)	–	–	(8,342)	–	(8,342)	–	(8,342)
Total comprehensive income	–	–	(19,388)	1,587,833	1,568,445	309	1,568,754
Transactions with owners							
Disposal of subsidiaries (Note 19)	–	–	–	–	–	(184,506)	(184,506)
Balance at 30 June 2018 (unaudited)	964	1,492,318	382,515	2,450,998	4,326,795	(536)	4,326,259

	Attributable to owners of the Company							
	Share capital RMB'000 (Note 17)	Share premium RMB'000	Treasury shares 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 2017	979	1,528,311	(8,890)	71,354	742,584	2,334,338	(336)	2,334,002
Comprehensive income								
Profit for the period	–	–	–	–	81,717	81,717	9,796	91,513
Currency translation differences	–	–	–	(56)	–	(56)	–	(56)
Change in value of available-for-sale financial assets	–	–	–	3,144	–	3,144	786	3,930
Total comprehensive income	–	–	–	3,088	81,717	84,805	10,582	95,387
Transactions with owners								
Exercise of employee share options	–	921	–	(531)	–	390	–	390
Buy-back and cancellation of shares	(6)	(17,817)	8,890	–	–	(8,933)	–	(8,933)
Changes in ownership interest in subsidiaries without change of control	–	–	–	332,603	–	332,603	167,397	500,000
Total transactions with owners	(6)	(16,896)	8,890	332,072	–	324,060	167,397	491,457
Balance at 30 June 2017 (unaudited)	973	1,511,415	–	406,514	824,301	2,743,203	177,643	2,920,846

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
Cash generated from operations	**41,081**	83,952
Income tax paid	**(4,913)**	(21,981)
Net cash generated from operating activities	**36,168**	61,971
Cash flows from investing activities		
Purchases of property, plant and equipment	**(2,705)**	(6,663)
Payments for development costs of construction in progress	**(63,619)**	(140,730)
Purchases of available-for-sale financial assets	**–**	(730,750)
Proceeds from disposal of available-for-sale financial assets	**–**	135,831
Proceeds from disposal of subsidiaries in orthopedic implant business	**2,500**	453,833
Net cash outflow from disposal of subsidiaries in regenerative medical biomaterial business	**(247,501)**	–
Proceeds from disposal of property, plant and equipment	**42**	–
Interest received	**821**	1,476
Net cash used in investing activities	**(310,462)**	(287,003)
Cash flows from financing activities		
Buy-back of shares	**–**	(8,933)
Proceeds from capital injection by non-controlling interests	**–**	500,000
Proceeds from exercise of employee share options	**–**	390
Net cash generated from financing activities	**–**	491,457
Net (decrease)/increase in cash and cash equivalents	**(274,294)**	266,425
Cash and cash equivalents at beginning of period	**364,259**	149,563
Exchange gains/(losses)	**160**	(249)
Cash and cash equivalents at end of period	**90,125**	415,739

1. GENERAL INFORMATION

PW Medtech Group Limited (the "**Company**") 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 (the "**Stock Exchange**") since 8 November 2013.

The Company is an investment holding company. The Company and its subsidiaries (together referred to as the "**Group**") are principally engaged in the development, manufacturing and sale of advanced infusion set products (the "**Infusion Set Business**") in the People's Republic of China (the "**PRC**"). In prior years, the Group was also principally engaged in the development, manufacturing and sale of regenerative medical biomaterial products (the "**Regenerative Medical Biomaterial Business**"). On 1 January 2018, the Regenerative Medical Biomaterial Business was disposed of and was presented as a discontinued operation in the condensed consolidated interim financial statements for the six months ended 30 June 2017 (Note 23).

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**"), issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of Rules Governing the Listing of Securities on the Main Board of the Stock Exchange. These condensed consolidated interim financial statements were authorised for issue on 29 August 2018.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2017 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in Note 3.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 4.

These condensed consolidated interim financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual consolidated financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2017 annual consolidated financial statements.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA. BDO Limited's independent review report to the board of directors is included on page 17.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, as described therein.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new or amended HKFRSs have been adopted by the Group for the financial year beginning on or after 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	Investments in Associates and Joint Ventures
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Considerations

The impact of the adoption of HKFRS 9 Financial Instruments has been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

HKFRS 9: Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

(i) Classification and measurement of financial instruments

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

3. ACCOUNTING POLICIES (Continued)

HKFRS 9: Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

3. ACCOUNTING POLICIES (Continued)

HKFRS 9: Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Balance as at 1 January 2018 under HKAS 39 RMB'000	Balance as 1 January 2018 under HKFRS 9 RMB'000
Amount due from an associate	Loans and receivables	Amortised cost	27,722	27,722
Trade and other receivables	Loans and receivables	Amortised cost	204,029	202,261
Cash and cash equivalent	Loans and receivables	Amortised cost	364,259	364,259

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables and amount due from an associate using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

3. ACCOUNTING POLICIES (Continued)

HKFRS 9: Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices except amount of trade receivables per below:

Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The loss allowance for trade receivables as at 1 January 2018 was determined as follows:

1 January 2018	Group A	Group B	Group C	Group D	Total
Expected credit loss rate (%)	0.17%	1.54%	2.83%	17.23%	
Gross carrying amount (RMB'000)	6,430	26,898	53,825	125,865	213,018
Loss allowance (RMB'000)	10	414	1,522	21,683	23,629

The additional impairment allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were RMB1,768,000. The reversal of impairment allowances increased for RMB12,794,000 for trade receivables during the six months period ended 30 June 2018.

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in an additional impairment allowance for trade receivables as follows:

	RMB'000
Impairment loss as at 1 January 2018 under HKAS 39	21,861
Additional impairment recognised	1,768
Loss allowance as at 1 January 2018 under HKFRS 9	23,629

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

3. ACCOUNTING POLICIES (Continued)

HKFRS 9: Financial Instruments (Continued)

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the condensed consolidated statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the consolidated financial information presented for 2017 has not been restated.

3. ACCOUNTING POLICIES (Continued)

HKFRS 15: Revenue from Contracts with Customers (Continued)

The Group has applied the following accounting policy for revenue recognition in the preparation of these condensed consolidated interim financial statements:

The Group recognises revenue from contracts with customers based on a five-step model as set out in HKFRS 15:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group has reviewed the impact of HKFRS 15 and considered that HKFRS 15 has no significant financial effect on these condensed consolidated interim financial statements.

Details of the new significant accounting and the nature of the changes to previous accounting policy in relation to the Group's various goods are set out below:

Products	Nature of the goods and satisfaction of performance obligations	Nature of change in accounting policy and impact on 1 January 2018
Sales of advanced infusion set products	Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods. There is generally only one performance obligation.	HKFRS 15 did not result in significant impact on the Group's accounting policies.

4. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in Note 3.

5. SEGMENT INFORMATION

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

For the six months ended 30 June 2018, following the disposal of subsidiaries on 1 January 2018 (Note 19), the Group has only one reportable operating segment which is Infusion Set Business. Thus, no operating segments have been aggregated to form the above reportable operating segment.

Continuing operations:

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

Discontinued operations:

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

— Others — operations of other businesses.

The chief operating decision-makers assess the performance of the operating segments based on the operating profit of each segment. All of the businesses of the Group are carried out in the PRC.

5. SEGMENT INFORMATION (Continued)

(a) Business segments

	Unaudited				
	Continuing operations	Discontinued operations			
Six months ended 30 June 2017	**Infusion Set Business** RMB'000 (Restated)	**Regenerative Medical Biomaterial Business** RMB'000 (Restated)	**Others** RMB'000 (Restated)	**Sub-total** RMB'000 (Restated)	**Total** RMB'000 (Restated)
Revenue from external customers	130,276	125,440	2,598	128,038	258,314
Cost of sales	(49,392)	(19,064)	(2,023)	(21,087)	(70,479)
Gross profit	80,884	106,376	575	106,951	187,835
Selling expenses	(24,732)	(16,108)	(2,466)	(18,574)	(43,306)
Administrative expenses	(25,640)	(6,539)	(150)	(6,689)	(32,329)
Research and development expenses	(5,188)	(4,620)	(1,271)	(5,891)	(11,079)
Other gains — net	5,735	1,487	—	1,487	7,222
Segment profit	31,059	80,596	(3,312)	77,284	108,343
Finance income — net					1,476
Profit before income tax					109,819

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Continuing operations	Discontinued operations			
Year ended 31 December 2017	**Infusion Set Business** RMB'000 (Audited)	**Regenerative Medical Biomaterial Business** RMB'000 (Audited)	**Others** RMB'000 (Audited)	**Sub-total** RMB'000 (Audited)	**Total** RMB'000 (Audited)
Segment assets	1,794,312	1,337,055	29,553	1,366,608	3,160,920
Deferred income tax assets					7,733
Total assets					3,168,653
Segment liabilities	84,239	67,279	4,739	72,018	156,257
Deferred income tax liabilities					68,882
Total liabilities					225,139

(b) Disaggregation of revenue

In the following table, revenue is disaggregated by major products and recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments. As the primary geographical market solely represent the PRC, no disaggregation of revenue by primary geographical market is disclosed.

	Continuing operations		Discontinued operations							
	Infusion Set Business		Medical Biomaterial Business		Others		Sub-total		Total	
For the six months ended	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Major products										
Advanced infusion set	142,993	130,276	–	–	–	–	–	–	142,993	130,276
Regenerative medical biomaterial products	–	–	–	125,440	–	–	–	125,440	–	125,440
Others	–	–	–	–	–	2,598	–	2,598	–	2,598
	142,993	130,276	–	125,440	–	2,598	–	128,038	142,993	258,314
Timing of revenue recognition										
At a point in time	142,993	130,276	–	125,440	–	2,598	–	128,038	142,993	258,314

6. OTHER (LOSSES)/GAINS — NET

	Unaudited Six months ended 30 June 2018 RMB'000	Unaudited Six months ended 30 June 2017 RMB'000 (Restated)
Government grants	3,988	5,597
— relating to costs	3,888	5,497
— relating to assets	100	100
Gain on disposal of property, plant and equipment	36	—
Loss on financial guarantee (Note (a))	(23,177)	—
Loss on deemed disposal of an associate (Note (b))	(7,805)	—
Others	(72)	138
	(27,030)	5,735

Notes:

(a) During the year ended 31 December 2016, a PRC intermediate people's court issued a civil judgement ("**First Instance Judgement**"), pursuant to which one of the Group's subsidiary, Xuzhou Yijia Medical Device Co., Ltd ("**Xuzhou Yijia**") shall undertake joint guarantee liability with another independent guarantor (the "**Joint Guarantor**") for a loan granted by a bank (the "**Borrowing Bank**" or the "**Plaintiff**") to the original independent borrower (the "**Borrower**") with principal (RMB10 million) and interest thereon totalling approximately RMB15 million, as the loan has been default in repayment. The directors of the Company and its appointed attorney agent analysed the case and considered that the Borrower is suspected of loan fraud and the Borrowing Bank may have grave fault in granting the loan to the Borrower. Accordingly, in August 2016, the Xuzhou Yijia instituted an appeal to a PRC superior people's court on rejecting the First Instance Judgement.

On 10 July 2017, the litigation of second instance commenced and the Plaintiff submitted new evidence to support its ground to grant loan to the Borrower. On 24 November 2017, the litigation of second instance (the "**Second Instance Judgement**") completed, the Borrower shall undertake the principal and interest of the above loan, and Joint Guarantor shall undertake joint guarantee liability for it. Retrial application was proposed by the Group.

On 11 July 2018, the Group received a judgement from the Supreme People's Court of the PRC which rejected the Group's retrial application and affirmed the Second Instance Judgement. In the view of unfavourable judgement and significant amount of accumulated interest incurred for the above loan (24% interest rate per annum), after assessing the risk relating to the joint guarantee liability, the directors of the Company accrued a loss provision of RMB23,177,000, which included the principal and accumulated interest of the above loan as of 30 June 2018. At the date of approval of the condensed consolidated interim financial statements, the Group is considering to make claims against the Joint Guarantor and the former owners of Xuzhou Yijia to claim such loss.

(b) During the six months ended 30 June 2018, the equity interest held by the Group in China Biologic Products Holdings, Inc. ("**CBPO**") was diluted from 16.66% to 16.61% due to exercise of share options by grantee, which constitutes a loss on deemed disposal of an associate.

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after (crediting)/charging:

	Unaudited Six months ended 30 June 2018 RMB'000	Unaudited Six months ended 30 June 2017 RMB'000 (Restated)
Exchange gains, net	(351)	(32)
Reversal of impairment loss on trade receivables	(12,794)	—
Amortisation of land use rights	522	530
Amortisation of intangible assets	1,681	2,114
Depreciation of property, plant and equipment	9,405	7,694

8. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2018 RMB'000	Unaudited Six months ended 30 June 2017 RMB'000 (Restated)
Current income tax		
PRC corporate income tax	5,534	6,754
Deferred income tax	1,691	(211)
Income tax expense	7,225	6,543

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

(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% (Six months ended 30 June 2017: 16.5%).

8. INCOME TAX EXPENSE (Continued)

(c) PRC corporate income tax (the "CIT")

Under the Law of the PRC on CIT (the "**CIT Law**") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% (Six months ended 30 June 2017: 25%).

Two subsidiaries (Six months ended 30 June 2017: three subsidiaries) of the Group have been 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 period (Six months ended 30 June 2017: 15%). They will continue to enjoy the preferential tax rate in the subsequent periods, provided that they continue to be qualified as "High and New Technology Enterprises" during such periods.

(d) Withholding tax ("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 WHT 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 period.

9. 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 six months ended 30 June 2018.

	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000 (Restated)
Profit attributable to owners of the Company:		
Continuing operations (RMB'000)	38,347	25,943
Discontinued operations (RMB'000)	1,549,486	55,774
	1,587,833	81,717
Weighted average number of ordinary shares in issue (thousands)	1,568,632	1,582,004
Basic earnings per share:		
Continuing operations (RMB cents per share)	2.44	1.64
Discontinued operations (RMB cents per share)	98.78	3.53
	101.22	5.17

9. 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 shares: share options. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all dilutive potential ordinary shares arising from share options granted by the Company (collectively forming the denominator for computing the diluted earnings per share). No adjustment is made to earnings (numerator).

	Unaudited Six months ended 30 June 2018	 2017 (Restated)
Profit attributable to owners of the Company:		
Continuing operations (RMB'000)	38,347	25,943
Discontinued operations (RMB'000)	1,549,486	55,774
	1,587,833	81,717
Weighted average number of ordinary shares in issue (thousands)	1,568,632	1,582,004
Adjustments for:		
— Share options (thousands)	424	1,537
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,569,056	1,583,541
Diluted earnings per share:		
Continuing operations (RMB cents per share)	2.44	1.64
Discontinued operations (RMB cents per share)	98.75	3.52
	101.19	5.16

10. DIVIDENDS

The board does not propose an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

11. LAND USE RIGHTS

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
In the PRC, held on:		
Leases of between 47 to 50 years	46,596	47,118

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)
At beginning of period	47,118	48,172
Amortisation charge	(522)	(530)
At end of period	46,596	47,642

12. PROPERTY, PLANT AND EQUIPMENT

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)
At beginning of period	837,820	666,396
Additions	66,324	143,536
Disposals	(6)	—
Depreciation	(9,405)	(7,694)
At end of period	894,733	802,238

13. INTANGIBLE ASSETS

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)
At beginning of period	**187,811**	191,482
Amortisation charge	**(1,681)**	(2,114)
At end of period	**186,130**	189,368

14. INTEREST IN AN ASSOCIATE

As at 30 June 2018, the Group held 16.61% equity interest in CBPO. CBPO is a limited liability company incorporated in the Cayman Islands. Its shares are listed on Nasdaq Stock Market. CBPO and its subsidiaries are principally engaged in the research, development, manufacturing and sales of human plasma-based biopharmaceutical products.

Although the Group's equity interest in CBPO is less than 20%, the directors of the Company consider that they have power to exercise significant influence on CBPO as one of the nine directors in CBPO is the executive director of the Company. Under HKAS 28, the investment in CBPO is classified as interest in an associate and has been accounted for in the condensed consolidated interim financial statements using equity method.

During the six months ended 30 June 2018, the equity interest held by the Group in CBPO was diluted from 16.66% to 16.61% due to exercise of share options by grantee.

Details of the investment are set out in Note 19.

15. LONG-TERM PREPAYMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Prepayments for property, plant and equipment	**8,281**	8,310
Others	**—**	176
	8,281	8,486

16. TRADE AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	206,482	213,018
Less: provision for impairment (Note (a))	(10,835)	(21,861)
Trade receivables — net (Note (a))	195,647	191,157
Bills receivable (Note (c))	563	2,200
Prepayments	53,814	53,778
Receivables from disposal of subsidiaries (Note (d))	1,966	4,466
Value added tax recoverable	16,160	15,723
Other receivables	3,200	6,206
	271,350	273,530
Trade receivables — non-current (Note (b))	(10,027)	(30,200)
Trade and other receivables — current portion	261,323	243,330

(a) As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade receivables (net of impairment loss) based on invoice date is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Up to 3 months	40,555	49,356
3 months to 6 months	23,444	32,574
6 months to 12 months	46,711	43,040
1 year to 2 years	74,699	57,494
2 years to 3 years	10,238	8,693
	195,647	191,157

The Group agreed with the customers 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.

As at 30 June 2018, trade receivables of RMB206,482,000 (31 December 2017: RMB139,926,000) were impaired and provision of RMB10,835,000 (31 December 2017: RMB21,861,000) has been made.

16. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

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

	Unaudited Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Restated)
At beginning of period	21,861	866
Initial application of HKFRS 9 (Note 3)	1,768	—
Reversal of provision	(12,794)	—
At end of period	10,835	866

(b) During the six months ended 30 June 2018, the Group has entered into repayment agreements (the "**Agreements**") individually with three major customers (the "**Customers**") who owed total amount of approximately RMB125,865,000 to the Group. Pursuant to the Agreements, approximately RMB55,865,000 (the "**Overdue Debts**") are identified as amount that exceeding the line of credit being granted to the Customers. The Overdue Debts will be settled in cash by monthly instalment of RMB2,800,000 for a period within two years commencing from March 2018.

Accordingly, total amount of RMB10,027,000, net of impairment loss of RMB3,373,000, is classified as non-current portion of trade receivables.

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

(d) Balance represents receivables from disposal of the subsidiaries in orthopedic implant business to an independent third party at a consideration of RMB450,000,000 on 24 December 2016.

(e) As at 30 June 2018 and 31 December 2017, except for the prepayments which are not financial assets, the fair value of the trade and other receivables approximated its carrying amounts.

17. SHARE CAPITAL

	2018 Number of ordinary shares (Unaudited)	2018 RMB'000 (Unaudited)	2017 Number of ordinary shares (Audited)	2017 RMB'000 (Audited)
At 1 January	**1,568,632,086**	**964**	1,590,317,404	979
Proceeds from employee share option exercised (note (a))	**—**	**—**	2,149,682	—
Buy-back and cancellation of shares (note (b))	**—**	**—**	(23,835,000)	(15)
At 30 June/31 December	**1,568,632,086**	**964**	1,568,632,086	964

(a) Options exercised during the year ended 31 December 2017 resulted in 2,149,682 shares being issued, total proceeds amounted to HKD1,572,000 (equivalent to RMB1,357,000) of which HKD442,000 (equivalent to RMB390,000) have been received during the year. The related weighted average price of the Company's share at the time of exercise was HKD1.72 per share.

(b) The Company acquired 18,956,000 of its own shares through purchases on the Stock Exchange in 2017 and cancelled all the treasury shares. The total amount paid to acquire the shares was RMB30,487,000.

18. TRADE AND OTHER PAYABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables	**14,812**	15,782
Salary and staff welfare payables	**21,823**	21,299
Advances from customers	**4,373**	4,283
Deposits	**1,294**	823
Payables for purchase of land use rights	**4,277**	4,277
Value added tax and other taxes	**4,589**	1,008
Professional service fee	**1,181**	1,968
Loss from financial guarantee (Note 6(a))	**23,177**	—
Other payables	**5,977**	5,386
	81,503	54,826

As at 30 June 2018 and 31 December 2017, 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.

18. TRADE AND OTHER PAYABLES (Continued)

At 30 June 2018 and 31 December 2017, the ageing analysis of the trade payables based on invoice date are as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Up to 6 months	9,610	14,114
6 months to 12 months	4,099	536
Over 1 year	596	854
2 years to 3 years	474	259
Over 3 years	33	19
	14,812	15,782

19. DISPOSAL OF SUBSIDIARIES

On 12 October 2017, the Company and CBPO (detail information is set out in Note 14) entered into a share exchange agreement (the "**Share Exchange Agreement**"). Pursuant to the Share Exchange Agreement, the Company agreed to subscribe for a total of 5,521,000 new shares of CBPO (representing approximately 16.66% of the enlarged issued share capital of CBPO) in consideration of disposal of the entire issued share capital of Health Forward Holdings Limited (the "**Disposal**"), which in turn owns 80% equity interest in Tianxinfu (Beijing) Medical Appliance Co., Ltd and 60% equity interest in Beijing Lima-TXF Medical Equipment Co., Ltd (the "**Disposal Group**"). The Disposal Group is principally engaged in Regenerative Medical Biomaterial Business.

Accordingly, the assets and liabilities related to the Disposal Group have been presented as Disposal Group classified as held for sale. The assets and liabilities of the Disposal Group were measured at its carrying amount, which was lower than the fair value less costs to sell as at 31 December 2017.

The assets and liabilities of the Disposal Group held for sale as at 31 December 2017 are set out below:

	RMB'000 (Audited)
Assets classified as held for sale	
Land use rights	12,425
Property, plant and equipment	38,630
Intangible assets	254,394
Goodwill	373,229
Deferred income tax assets	2,321
Inventories	17,351
Amounts due from the remaining group	28,330
Trade and other receivables	3,843
Cash and cash equivalents	638,406
Total assets of Disposal Group classified as held for sale	1,368,929
Liabilities directly associated with assets classified as held for sale	
Deferred income tax liabilities	(40,168)
Amounts due to the remaining group	(27,722)
Trade and other payables	(38,744)
Current income tax liabilities	(5,552)
Total liabilities of Disposal Group classified as held for sale	(112,186)

19. DISPOSAL OF SUBSIDIARIES (Continued)

On 1 January 2018, the Disposal was completed. Consideration of the Disposal was determined by the market closing price of CBPO on Nasdaq Stock Market prior to the acquisition date, which was US$78.8 per share (equivalent to RMB514.7 per share). The gain arising from the Disposal shown in the condensed consolidated statement of profit or loss and other comprehensive income is calculated as follows:

	RMB'000 (Unaudited)
Consideration	2,841,658
Carrying amount of net assets of the Disposal Group	(1,256,743)
Release of foreign exchange reserves attributable to the Disposal Group	8,342
Non-controlling interest of the Disposal Group	184,506
Gain on disposal of subsidiaries	1,777,763
Withholding tax	(228,277)
Gain on disposal of subsidiaries, net of tax	1,549,486

20. CAPITAL COMMITMENTS

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Property, plant and equipment	**25,294**	15,862

21. RELATED PARTY TRANSACTIONS

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

The 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 in accordance with the terms negotiated between the Group and the respective related parties.

Key management compensation

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries and other allowances	**1,375**	1,425

22. CONTINGENT LIABILITIES

On 26 December 2017, a PRC intermediate people's court issued a civil judgement, pursuant to which one of the Group's subsidiary, Xuzhou Yijia shall undertake joint loan liability with an independent individual (the "**Individual**", which is one of the former owners of Xuzhou Yijia) for a loan amounting to RMB850,000 provided by another independent individual, the plaintiff, as the loan has been default in repayment. According to the civil judgement, the estimated joint loan liability including the original loan principal and accrued interest thereon amounted to approximately RMB2,100,000. During the six months period ended 30 June 2018, Xuzhou Yijia has instituted an appeal to a PRC superior people's court on rejecting the aforementioned judgment. The directors of the Company considered that the result of the litigation is uncertain and the Individual is also obligated to the joint loan liability. However, as the Group acquired Xuzhou Yijia subsequent to its provision of the joint loan liability, the Group is entitled to make claims against the former owners of Xuzhou Yijia if the joint loan obligation causes any losses to the Group in accordance with the permitted indemnity provision from the share exchange agreement entered between the Group and former owners of Xuzhou Yijia. Therefore, the directors of the Company are of the view that the case will not make any substantial impact to the Group, nor will result in any material loss.

23. DISCONTINUED OPERATIONS

Analysis of the result of the discontinued operations for the six months ended 30 June 2017 is as follows:

	Unaudited Six months ended 30 June 2017 RMB'000 (Restated)
Revenue	128,038
Cost of sales	(21,087)
Gross profit	106,951
Selling expenses	(18,574)
Administrative expenses	(6,689)
Research and development expenses	(5,891)
Other gains, net	1,487
Operating profit	77,284
Finance income — net	354
Profit before income tax	77,638
Income tax expenses	(11,763)
Profit for the period from discontinued operations	65,875
Profit for the period from discontinued operations attributable to:	
Owners of the Company	55,774
Non-controlling interests	10,101
Profit for the period from discontinued operations	65,875

Analysis of cash flow of the discontinued operations for the six months ended 30 June 2017 is as follows:

	Unaudited Six months ended 30 June 2017 RMB'000 (Restated)
Operating cash flows	80,616
Investing cash flows	(596,765)
Financing cash flows	500,000
Total cash flows	(16,149)

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

The directors of the Company consider that except financial asset at fair value through profit or loss recorded at fair value, the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

(a) The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined 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 instrument in level 3

The carrying amount and fair value of the Group's major financial instrument is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Financial asset		
Financial asset at fair value through profit or loss		
Carrying amount	**7,000**	—
Fair value	**7,000**	—

The following table presents the changes in level 3 instruments for the six months ended 30 June 2018.

	Financial asset at fair value through profit or loss RMB'000 (Unaudited)
At beginning of period	—
Additions	7,000
At end of period	7,000

25. EVENT AFTER THE REPORTING PERIOD

Acquisition of shares in CBPO (the "Acquisition")

On 24 August 2018, a share purchase agreement was entered by the Company and CBPO in which the Company agreed to purchase 800,000 CBPO shares at a price of US$100.9 (equivalent to approximately RMB693.3) per CBPO share. The aggregate purchase price for the CBPO shares shall be US$80.72 million (equivalent to approximately RMB554.63 million). As of 22 August 2018, CBPO has a total issued and outstanding share capital of 33,465,291 ordinary shares. Upon completion of the Acquisition and taking into account of CBPO's simultaneous placing to other investors, the Company will hold 6,321,000 shares of CBPO, which represents 16.08% of the shares.