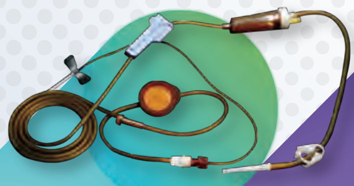
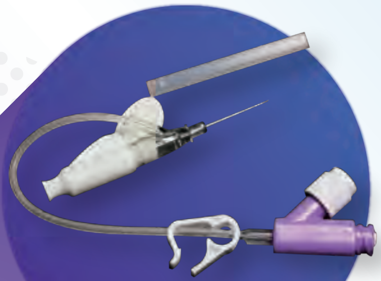
PW MEDTECH GROUP LIMITED
普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01358.HK)





ANNUAL REPORT 2018

A **True Pioneer** In The **Chinese Medical** Device Industry

We are a leading medical device company with the 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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CORPORATE PROFILE

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

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

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

The Group is currently the single largest shareholder of CBPO, which is among the top three producers of plasma products in the PRC whereas the PRC is the second largest plasma products market in the world, after the United States.

DEFINITIONS

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

"2019 AGM"	the AGM to be held on June 4, 2019
"AGM"	annual general meeting of the Company
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CBPO"	China Biologic Products Holdings, Inc., an exempted company incorporated under the laws of the Cayman Islands, 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 (NASDAQ: CBPO)
"CEO"	chief executive officer of the Company
"CFDA"	the China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局)
"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 annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Chairman"	the chairman of the Board
"Company", "Group", "PW Medtech" or "we"	PW Medtech Group Limited (普华和顺集团公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011 and except where the context indicated otherwise its subsidiaries
"Company Secretary"	the company secretary of the Company
"Director(s)"	the director(s) of the Company
"Fert Technology"	Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司), a limited liability company established under the laws of the PRC on September 23, 1997 and indirectly wholly owned by the Company
"Guide"	the "Environmental, Social and Governance Reporting Guide" as contained in Appendix 27 to the Listing Rules
"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

DEFINITIONS

"Listing Date"	November 8, 2013, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Orthopedic Implant Business"	the R&D, manufacturing and sale of orthopedic implant products
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on July 3, 2013 and amended on October 14, 2013
"Prospectus"	the prospectus of the Company dated October 28, 2013
"R&D"	research and development
"Regenerative Medical Biomaterial Business"	the R&D, manufacturing and sale of regenerative medical biomaterial products
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value US$0.0001 each in the issued share capital of 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
"Shenzhen Bone"	Shenzhen Bone Medical Device Co., Ltd. (深圳市博恩醫療器材有限公司), a limited liability company established under the laws of the PRC on November 12, 2002, in which the equity interests of the Company were disposed of in December 2016
"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, in which the equity interests of the Company were disposed of in January 2018

DEFINITIONS

"US$"	United States dollars, the lawful currency of the United States of America
"Walkman Biomaterial"	Tianjin Walkman Biomaterial Co., Ltd. (天津市威曼生物材料有限公司), a limited liability company established under the laws of the PRC on November 8, 2001, in which the equity interests of the Company were disposed of in December 2016
"Xuzhou Yijia"	Xuzhou Yijia Medical Device Co., Ltd. (徐州一佳醫療器械有限公司), a limited liability company established under the laws of the PRC on June 30, 2003 and directly wholly owned by Fert Technology
"%"	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Ms. Yue'e ZHANG *(Chairman and CEO)*

Non-executive Directors

Mr. JIANG Liwei
Mr. LIN Junshan

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. SO Yee Kwan, *ACS, ACIS*

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Ms. Yue'e ZHANG
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

Building 1, Courtyard 23
Panlong West Road, Mafang Industrial Park
Pinggu District
Beijing, the 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

CORPORATE INFORMATION

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

MILESTONES

2018

- UPON THE COMPLETION OF THE SHARE EXCHANGE AGREEMENT WITH CBPO, THE GROUP HAS BECOME THE SINGLE LARGEST SHAREHOLDER OF CBPO, AND TIANXINFU HAS BECOME A SUBSIDIARY OF CBPO. THE GROUP ALSO FURTHER ACQUIRED 800,000 CBPO SHARES IN AUGUST
- THE NEW FACTORY OF ADVANCE INFUSION SET BUSINESS LOCATED AT THE MAFANG INDUSTRIAL PARK COMMENCED OPERATION

2017

ENTERED into the SHARE EXCHANGE AGREEMENT WITH CBPO to subscribe for 5,521,000 CBPO SHARES, REPRESENTING 16.66% of the enlarged issued SHARE CAPITAL OF CBPO by way of exchanging the GROUP'S EQUITY INTEREST IN TIANXINFU WITH CBPO

2016

DISPOSED of Equity Interests in WALKMAN BIOMATERIAL and SHENZHEN BONE, TWO SUBSIDIARIES ENGAGED IN ORTHOPEDIC IMPLANT BUSINESS

2014

ACQUIRED TIANXINFU and entered into REGENERATIVE MEDICAL BIOMATERIAL BUSINESS

2013

ACQUIRED XUZHOU YIJIA and further expanded into INFUSION SET BUSINESS

ACQUIRED SHENZHEN BONE and expanded into JOINT PRODUCTS

LISTED ON THE MAIN BOARD of the Stock Exchange on November 8, 2013

2011

ACQUIRED FERT TECHNOLOGY and entered into INFUSION SET BUSINESS

2008

ACQUIRED WALKMAN BIOMATERIAL and entered into ORTHOPEDIC IMPLANT BUSINESS

2002

TIANXINFU and SHENZHEN BONE WERE FOUNDED

2001

WALKMAN BIOMATERIAL WAS FOUNDED

1997

FERT TECHNOLOGY WAS FOUNDED

KEY FINANCIALS

- Revenue from continuing operations for the year ended December 31, 2018 amounted to approximately RMB310.8 million, representing an increase of 8.3% from approximately RMB286.9 million recorded in 2017.

- Gross profit from continuing operations for the year ended December 31, 2018 amounted to approximately RMB195.2 million, representing an increase of 11.9% from approximately RMB174.5 million recorded in 2017.

- Profit attributable to owners of the Company for the year ended December 31, 2018 amounted to approximately RMB1,665.6 million, representing an increase of 1,264.3% from approximately RMB122.1 million recorded in 2017.

- Profit attributable to owners of the Company from continuing operations for the year ended December 31, 2018 amounted to approximately RMB114.8 million, representing an increase of 246.7% from approximately RMB33.1 million recorded in 2017.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Revenue*	608,059	515,587	319,583	286,913	**310,813**
Profit before income tax*	211,322	245,377	127,843	45,081	**126,575**
Profit for the year*	176,630	204,227	107,633	33,777	**115,511**
Profit attributable to:*					
Owners of the Company	176,630	204,227	109,136	33,119	**114,812**
Non-controlling interests	—	—	(1,503)	658	**699**

ASSETS AND LIABILITIES

	As at 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Total assets	2,382,537	2,539,276	2,487,111	3,168,653	**5,194,970**
Total liabilities	271,211	240,611	153,109	225,139	**700,833**
Equity attributable to:					
Owners of the Company	2,110,159	2,297,498	2,334,338	2,759,853	**4,494,283**

* 2016, 2017 and 2018 figures are presented as continuing operations. 2015's figures are presented as continuing and discontinued operations, excluding the Orthopedic Implant Business. Other years' figures include both continuing and discontinued operations.

CHAIRMAN'S STATEMENT

It is a great honor for me, on behalf of the Board, to present the annual report of the Company for the financial year ended December 31, 2018.

In 2018, in spite of the pressure of economic slowdown in the PRC due to the volatile global economic conditions, with increasing urbanization and aging population brought by the economic development of the country, the coverage of medical insurance increased gradually, medical demand continued to grow, and the medical device market expanded rapidly. Domestic innovative medical devices emerged more frequently in recent years with gradually increasing market shares. In 2018, the General Office of the State Council issued the Opinions on Deepening Reform of the Assessment and Approval System to Encourage Innovation of Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》), which encouraged the R&D and production of innovative medical devices, and the innovation of medical devices was ushered into a fast track. Within the industry, domestic innovative medical devices were emerging constantly whilst new technologies such as large-scale medical equipment and emergency rescue medical equipment achieved significant breakthrough. In addition, the progress of the supply-side structural reform of the medical care industry brought new demands. In 2018, the National Medical Products Administration issued the Major Inspection Points and Basis for Determination of Clinical Trials Regarding Medical Devices (《醫療器械臨床試驗檢查要點及判定原則》), which further regulates the medical device industry and market. While China has entered into a new economic cycle, the medical device industry has also entered into a new development cycle. Rising public health awareness, coupled with the policy environment, technological innovation and industrial upgrade, will offer a promising prospect for the development of the medical device industry in China. Moreover, with the implementation of the "Healthy China" strategy and "Healthy China 2030" Planning Outline, the macro healthcare industry will be leading a new round of economic development in China ahead, in which medical devices will play a significant role. In general, there is still huge development potential for the medical device market in China and the overall medical care industry is demonstrating a strong growth momentum.

Leveraging its leading position in the medical device industry of China and its strong R&D capabilities, the Group endeavours to seize the development opportunities, actively responds to the challenges in the industry and promotes the upgrade and development of the industry. Through exploring new areas of the medical care industry and expediting product upgrade, the Group actively explores R&D of new products and is well-prepared for further expanding its market share in the future.

BUSINESS REVIEW

For the year ended December 31, 2018, the Group's revenue from continuing operations and profit from continuing operations were RMB310.8 million and RMB115.5 million, representing an increase of 8.3% and 242.0% from 2017, respectively. For the year ended December 31, 2018, the Group's gross profit was RMB195.2 million, representing an increase of 11.9% from 2017. The gross profit margin for the year was 62.8%.

As a leader in the medical device industry, PW Medtech Group Limited has been devoted to the development of the industry for years with a focus on fast-growing and high-margin segments of the medical device market of the PRC. Over the years, it ranks among the top in the national advanced infusion set market in terms of market share and has the largest market share in Beijing. During the year ended December 31, 2018, the Group stepped up the effort in sales and R&D of its intravenous cannula business, which led to the rapid growth in the sales of intravenous cannulas. We estimate that the intravenous cannula market in China will maintain a relatively fast growth in the next three years. Leveraging the Group's leading market position in the industry and favorable policies, the Group is confident in the strong growth of the intravenous cannula business in the future. In 2018, the Group also stayed focus on the R&D of insulin injection needles and insulin injection pens, and new product series are expected to be launched in the near future. The Group will continue to develop advanced materials and enrich its product offerings with a view to satisfying the comprehensive demand of patients. By constantly adjusting the product portfolio, we will introduce newly developed products and formulate plans for additional production capacities so as to accelerate the business growth of the Company. The new products will better cater to the professional treatment of nursing staff and offer a scientific and safe solution for medical treatment. In November 2018, certain new plants for Infusion Set Business in the Mafang Industrial Park (馬坊工業園區) located in Pinggu District, Beijing, the PRC, officially commenced operation. In the new plants, production capacities and efficiency will be improved in response to the strong demand in the future.

CHAIRMAN'S STATEMENT

Apart from focusing on the organic growth of its principal businesses, the Group also strived to realise the integration of resources advantages through mergers and acquisitions and fully demonstrated the synergy in order to build the Group as a comprehensive platform for high-valued consumables in the medical device industry of China. During the year, the Group further entered into a share purchase agreement with CBPO (NASDAQ: CBPO), pursuant to which the Group participated in the placing of 800,000 new shares of CBPO in August 2018. As of now, the Group owns 16.06% of the issued share capital of CBPO and continues to be its single largest shareholder. CBPO has a well-established plasma business with a good track record and is a leading producer in the plasma industry in the PRC. The Group believes that CBPO will continue to maintain a leading position in the plasma product industry in China, which would enable the Company to diversify its business and further optimize the Group's business layout so as to solidify our market-leading position and achieve rapid growth.

FUTURE PROSPECTS

As a leader in the medical device industry of China, with the benefits from favorable policies and market potential, the Company will continue to focus on the development of the advanced infusion set and intravenous cannula business in the future while continuing to expand its market penetration and distribution network, and thus making contributions to the development of China's medical industry. Looking forward, the Group will also expand its business into the field of insulin syringes for diabetes. It is expected that new products will be launched in the near future, aiming to provide safe and reliable insulin injection products for diabetes patients. Moreover, the Group will take advantage of the policy benefits and promising opportunities in the industry to introduce and nurture high-quality talents, strengthen R&D investment, promote product innovation, develop comprehensive and quality product portfolio at competitive prices and actively explore business opportunities, with a view to maintaining our competitive edges in the market.

APPRECIATION

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

Chairman of the Board
Yue'e ZHANG

March 28, 2019

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS

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

Name	Age	Position	Date of Appointment as Director
Executive Director			
Ms. Yue'e ZHANG (張月娥)(Note)	55	CEO, Chairman and executive Director	May 13, 2011
Non-executive Directors			
Mr. JIANG Liwei (姜黎威)(Note)	51	Non-executive Director	June 21, 2013
Mr. LIN Junshan (林君山)	56	Non-executive Director	June 21, 2013
Independent non-executive Directors			
Mr. WANG Xiaogang (王小剛)	45	Independent non-executive Director	October 14, 2013
Mr. ZHANG Xingdong (張興棟)	81	Independent non-executive Director	October 14, 2013
Mr. CHEN Geng (陳庚)	48	Independent non-executive Director	October 14, 2013

Note: Mr. JIANG Liwei has resigned as the CEO and has been re-designated from an executive Director to a non-executive Director with effect from March 31, 2019. Ms. Yue'e ZHANG has been appointed in replacement of Mr. JIANG Liwei to act as the CEO with effect from March 31, 2019.

Executive Director

Ms. Yue'e ZHANG (張月娥), aged 55, is the CEO, the Chairman, an executive Director and the chairman of the Nomination Committee. She is also a director of certain subsidiaries of the Company. In addition to her roles with the Group, Ms. ZHANG currently serves as a director of CBPO (NASDAQ: CBPO) and the executive director of WP Medical Technologies, Inc. She is also one of the early founders of Lepu Medical Technology (Beijing) Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300003). Ms. ZHANG has worked in the medical device industry for nearly 30 years and has accumulated considerable experience in product design, R&D, and management and investment. Ms. ZHANG graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in materials science and engineering in July 1985, and later received two master's degrees relating to materials science and management from Xi'an University of Technology (西安理工大學) and Florida International University in July 1988 and April 1996, respectively. Ms. ZHANG is the daughter of Ms. Yufeng LIU (the ultimate controlling Shareholder who wholly owns Cross Mark Limited, the controlling Shareholder).

Non-executive Directors

Mr. JIANG Liwei (姜黎威), aged 51, is a non-executive Director. Mr. JIANG has over 20 years of management experience in the medical device industry. Prior to joining the Group in February 2013, Mr. JIANG was the head of China for Biomet China Co., Ltd. (邦美 (上海) 商貿有限公司) from 2008 to 2013 and the general manager of Trauson (China) Medical Instrument Co., Ltd. (創生醫療器械 (中國) 有限公司) from 2005 to 2008. He also held various management positions with Zimmer (Shanghai) Medical International Trading Co., Ltd. (捷邁 (上海) 醫療國際貿易有限公司) from 1999 to 2005 and Smith & Nephew Medical (Shanghai) Limited (施樂輝醫用產品國際貿易 (上海) 有限公司) from 1997 to 1999. Mr. JIANG was a resident doctor for a few years upon graduation from Shanghai Second Medical University (上海第二醫科大學) (now School of Medicine, Shanghai Jiaotong University (上海交通大學醫學院)) with a bachelor's degree in clinical medicine in July 1991.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LIN Junshan (林君山), aged 56, is a non-executive Director and a member of both the Audit Committee and the Remuneration Committee. Mr. LIN joined the Group in April 2010. He is also a director of a subsidiary of the Company. Before joining the Group, Mr. LIN was a chief engineer and professoriate senior engineer of CSR Qingdao Sifang Co., Ltd. (南車青島四方機車車輛股份有限公司) (formerly known as "CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.") from January 2007 to June 2013. After his graduation from Xi'an Jiaotong University (西安交通大學) with a doctorate degree in materials science and engineering in March 1990, Mr. LIN held various research positions in Shanghai Jiaotong University (上海交通大學), Osaka University (Japan) and Hitachi Mechanical Engineering Research Laboratory (now Hitachi Research Laboratory), Hitachi Ltd. from April 1990 to December 2006.

Independent Non-executive Directors

Mr. WANG Xiaogang (王小剛), aged 45, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee. Mr. WANG is a founder and the chief executive director of Beijing HuiTong Education Technology Co., Ltd. Mr. WANG served as a managing director of China Aerospace Industry Investment Fund Management (Beijing) Co., Ltd. (航天產業投資基金管理(北京)有限公司) from February 2011 to August 2014. He was previously a partner at PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (普華永道諮詢(深圳)有限公司), where his work focused primarily on financial advisory on investment, merger and acquisition related transactions. He joined PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. in 1997. Mr. WANG obtained the qualification of Certified Public Accountant from Beijing Institute of Certified Public Accountants (北京註冊會計師協會) in June 1997 and the qualification to practice law in the PRC from the Ministry of Justice (司法部) in February 2007. Mr. WANG graduated from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) (now Hangzhou Dianzi University (杭州電子科技大學)) with a bachelor's degree in accounting in July 1995, and later received a master's degree in investment management from Sir John Cass Business School of The City University London in March 2004.

Mr. ZHANG Xingdong (張興棟), aged 81, is an independent non-executive Director and a member of both the Remuneration Committee and the Nomination Committee. Mr. ZHANG is a professor at Sichuan University (四川大學), and an Academician of the Chinese Academy of Engineering (中國工程院院士). He also serves as the President of the International Union of Societies for Biomaterials Science and Engineering (IUSBSE), Director of the CFDA Executive Committee on the Classification of Medical Devices, director of National Technical Committee 248 on Biological Evaluation on Medical Device of Standardization, and Medical Biomaterial Chief Scientific Adviser of Sichuan Languang Development Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600466). He has more than 10 honorary titles, including Foreign Member of the U.S. National Academy of Engineering (美國國家工程院外籍院士), IUSBSE Fellow of Biomaterials Science and Engineering, Fellow of the American Institute of Medical and Biological Engineering etc. Mr. ZHANG has been dedicated to the R&D, and commercialization of tissue inducing biomaterials products and medical implants such as dental implants, osteoinductive synthetic bone, and artificial hip joints for more than 30 years. His research has received numerous awards, such as National Science and Technology Progress Award, National Natural Science Award, and Clemson Award for Applied Research. Mr. ZHANG graduated from Sichuan University with a bachelor's degree in solid state physics in 1960.

Mr. CHEN Geng (陳庚), aged 48, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. CHEN has been the vice president of Peking University Resources (Holdings) Company Limited (name changed from "EC-Founder (Holdings) Company Limited" on October 25, 2013; a company listed on the Main Board of the Stock Exchange, stock code: 618) since May 2013. He served as EC-Founder (Holdings) Company Limited's executive president from 2005 to 2006 and executive director from 2006 to May 2013. He was also an executive director of Founder Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 418) from 2006 to 2011 and the vice president of New Auto Group (新奧特集團) from 2004 to 2005, and had worked in various investment firms in the PRC, garnering extensive experience in finance and management. Mr. CHEN has obtained the qualification of senior economist (高級經濟師) from China State Construction Engineering Corporation Limited (中國建築工程總公司) in October 2010. He graduated from Northwest University (西北大學) with a bachelor's degree in administrative management in July 1993 and later received an EMBA degree from Guanghua School of Management, Peking University (北京大學光華管理學院) in January 2005.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Yue'e ZHANG (張月娥), aged 55, is the CEO, Chairman and an executive Director. Her biographical details are set out above under the section headed "Profile of Directors and Senior Management — Executive Director" in this annual report.

Mr. HUA Wei (華煒), aged 48, is the Company's vice president. Prior to joining the Group in April 2011 as Fert Technology's general manager, Mr. HUA had served as an executive assistant general manager and general manager of Zhongguancun Development Hi-Tech Incubator Co., Ltd (中關村興業(北京)高科技孵化器股份有限公司) from 2002 to 2011. Mr. HUA also held various managing positions with the branch companies of Xinjiang Securities Corporation Limited (新疆證券有限責任公司) from 1995 to 2001. Mr. HUA started his career with the Shihezi branch of the People's Bank of China (中國人民銀行石河子市分行) in 1991. Mr. HUA graduated from Changchun College of Finance (長春金融專科學校) with a diploma in finance in July 1991, and received an MBA degree from Renmin University of China (中國人民大學) in January 2009.

Mr. CHEN Yikun (陳怡琨), aged 42, is the Company's vice president. Prior to joining the Group in January 2014, Mr. CHEN was a senior manager at PricewaterhouseCoopers LLP and he has over 10 years of experience in assurance and advisory practice. From 2005 to 2006, Mr. CHEN served as a project manager in merger and acquisition in China Resources Petrochems (Group) Co., Ltd. (華潤石化(集團)有限公司) before he rejoined PricewaterhouseCoopers LLP in 2006. Before joining PricewaterhouseCoopers LLP in 2001, Mr. CHEN served as an accounting supervisor of Hutchison Whampoa Properties (Shenzhen) Co., Ltd. (和記黃埔地產(深圳)有限公司) from 1998 to 2001. Mr. CHEN is a fellow member of the Association of Chartered Certified Accountants, and a member of the Chinese Institute of Certified Public Accountants. Mr. CHEN graduated from Shantou University (汕頭大學) with a bachelor's degree in economics in July 1998.

Ms. DING Lingyan (丁玲燕), aged 31, is the Company's financial director. Ms. DING has over 10 years of experience in financial management. Prior to joining the Group in 2014, Ms. DING worked for Ernst & Young Hua Ming LLP from 2008 to 2013 and she has over 5 years of experience in assurance and advisory practice. Ms. DING is a fellow member of the Associate of Chartered Certified Accountants, a member of Chartered Professional Accountant of Canada, and a member of the Chinese Institute of Certified Public Accountants. Ms. DING graduated from NanKai University (南開大學) with a bachelor's degree in management in July 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

In 2018, medical device companies in the PRC generally maintained a positive trend of improving business performance despite the downward pressure faced by the Chinese economy under the influence of global economic tension. According to the latest report issued by TrendForce, a global market research organization, the size of global medical device market is estimated to reach US$444.2 billion in 2018, and the production values will rise to US$577.6 billion in 2023, representing a compound annual growth rate of 5.4% during the year ended December 31, 2018. From the perspective of industry environment, aging population and the development of a new generation of information technology may build up the development momentum for the medical device industry and bring along explosive growth in market demand for medical devices in the future.

China's medical device industry is benefiting from sound development opportunities and the continuous improvement of the policy environment. With strong emphasis placed on the development of the medical device industry, the government frequently introduced favourable policies to comprehensively stimulate the medical device industry in aspects such as technological innovation and approval procedures. In 2018, in order to encourage the R&D of innovative medical devices, the National Medical Products Administration (國家藥品監督管理局) has set up a special channel for prioritized approval, aiming to expedite the approval procedure of innovative medical devices that possess intellectual property rights in the PRC, reach an internationally leading level and have a high clinical application value, and those products that are supported by the National Science and Technology Major Projects (國家科技重大專項) and the National Key Research and Development (國家重點研發計劃), pass the clinical trials carried out by the National Clinical Medical Research Center (國家臨床醫學研究中心) and obtain approvals from the administration department of the center. In October 2018, the State Council issued the Notice on Promoting the Reform of "Separating Permits from Business Licenses Nationwide" (《關於在全國推開"證照分離"改革的通知》), which announced that, with effect from November 10, 2018, the reform of "separating permits from business license" will be implemented nationwide with the first group of 106 enterprises by means of direct cancellation of approval, replacement of approval with filling, the implementation of notification and commitment system, and optimization in services for accessing the market. The government has been devoting greater effort to prioritizing approval of medical devices and prioritized approval for advanced medical devices is expected to become a common practice, which will fuel the rapid growth of the medical devices sector. It is generally expected that given the increasing efficiency of approval procedures for medical devices, the size of medical device industry in China will grow rapidly in the future and outstanding domestic medical device companies will continue to expand with increasing market share in the domestic market over the years.

PW Medtech 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. Currently, it is principally engaged in the R&D, manufacturing and sales of advanced infusion set products. As a pioneer of the industry, PW Medtech has been striving to capture every opportunity in the market to expand into the new markets with huge development potential and maintain its leading position in the industry. During the year ended December 31, 2018, the Group was committed to enriching its product portfolio and constantly enhancing its product innovation and R&D capabilities. After expanding its product line into the intravenous cannula sector, the Group intends to launch safe and reliable insulin injection products targeting massive diabetes patients in China so as to further expand its market, optimize its business layout and enhance the Group's comprehensive competitiveness.

For the year ended December 31, 2018, the Group's revenue was RMB310.8 million, representing an increase of 8.3% over 2017. For the year ended December 31, 2018, the Group's profit for the year and profit attributable to owners of the Company amounted to RMB1,666.3 million and RMB1,665.6 million, respectively, representing an increase of 1,001.0% and 1,264.3% over last year, respectively. The Group recorded a gross profit of RMB195.2 million for the year ended December 31, 2018, representing an increase of 11.9% over last year, and the overall gross profit margin of the Group was 62.8%.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS STRATEGIES AND FUTURE OUTLOOK

With regard to the advanced Infusion Set Business segment, the Group has been focusing on providing a safer and more reliable solution for infusion therapy through continuous improvement of manufacturing materials for infusion sets with a view to minimizing the risk of infusion therapy. Infusion sets play an irreplaceable role in a medical therapy and safety is the issue that patients concern most during the infusion therapy. The Group has always attached great importance to the safe infusion concept and strived to provide all medical institutions with reliable precision filter infusion sets through R&D as well as innovation. We provide the public with a reliable infusion solution by upgrading our products without changing the operational behaviors of medical staff. In the future, the Group will continue to increase the investment in R&D and seek technological innovation, aiming to provide a more secure infusion product portfolio to the public. During the year ended December 31, 2018, in addition to the ongoing efforts in enhancing the R&D of advanced infusion set products, the Group focused on the R&D and sales of intravenous cannula products. In view of the rapid growth in the Group's intravenous cannula business last year, we expect that the intravenous cannula market in the PRC will maintain a higher growth rate in the coming three years. Up to the date of this announcement, the Group has obtained two registration certificates for intravenous cannula products and will apply for three registration certificates within the next twelve months, which are expected to be approved in the near future. The Group will continue to strengthen our leading position in the advanced infusion medical device market and lead the development of the industry.

Following the completion of the share exchange transaction with CBPO in January 2018, the Group invested approximately US$80.72 million for the further acquisition of 800,000 shares in CBPO in August 2018 and increased its shareholding in CBPO to 6,321,000 shares. Currently, the Group remains as the single largest shareholder of CBPO holding approximately 16.06% of the issued share capital of CBPO. CBPO has an established plasma business with good track record and it is a leading producer in the blood products in mainland China. The Group believes that the strategic cooperation with CBPO can bring new blood for its business, which enables the Company to further diversify its business, optimize the business layout, solidify its market leading position and realise rapid growth.

In order to further consolidate our resources and maximize corporate efficiency, the Group disposed of a subsidiary engaged in medical-cosmetic-graded mask business in December 2018. After divesting such business, the Group is able to better utilize its resources in other existing segments with a higher growth rate, which is believed to be in the interest of the Group and its shareholders.

In November 2018, the new factory of the Group's advanced Infusion Set Business located at the Mafang Industrial Park (馬坊工業園區) officially commenced operation. Located in the southwest of Pinggu District, Beijing, the PRC, the new factory lies in the core area of Beijing-Tianjin-Hebei region and occupies a central location in Bohai Economic Rim, which is the "entry point" and serves as a "hub" for Beijing to integrate with the Beijing-Tianjin-Hebei region.

MANAGEMENT DISCUSSION AND ANALYSIS

In the future, the Group will continue to be committed to the R&D and innovation of new products and plan to launch its self-developed insulin injection needles and insulin injection pens in the market. According to the latest statistics of the National Health Commission (國家衛生健康委員會), the prevalence rate of diabetes among Chinese adults is as high as 11.6% with the number of patients exceeding 114 million. Traditional insulin injection needles and insulin injection pens have certain safety risks and hence it may be difficult for patients to maintain a stable blood glucose level. With years of extensive experience in the advanced infusion set segment and stringent quality control technology, the Group will, through technological innovation, introduce brand-new insulin infusion sets that are stable and reliable in the future. The self-developed insulin injection needles and insulin injection pens of the Group can effectively control the doses of insulin taken by diabetes patients, providing safe insulin injection solutions for numerous diabetes patients. Meanwhile, such products will help to further expand the business channels of the Company, broaden its business layout and enhance the competitive edges of the Group.

Emphasis on R&D and Innovation

As an industry leader in emphasizing R&D and innovation, the Group has an R&D team with 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 December 31, 2018, the Group owned 59 patents for advanced infusion set products. Furthermore, the Group has applied for 22 new patents. The Group will continue to invest in product innovation and R&D and strive to maintain 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 product promotion for all of its business segments. Our core salesmen have an average of ten years of experience in their respective fields, and half of the members of the sales and marketing team have medical training backgrounds, which enables them to communicate with doctors and nurses in a professional and effective manner.

Strategic Acquisitions

With the improvement of people's living standards in China and the increase of the awareness of medical healthcare, favorable national policies regarding the medical device industry in China have been continuously promulgated and the demand for medical device products has been continuously increasing and overall, the medical device industry in China has entered into a rapid growing phase. According to the Annual Report on the Development of the Medical Device Industry in China (2018) (中國醫療器械行業發展報告(2018)), the medical device industry will continue to develop soundly under supportive policies in 2018. The new development cycle of the medical device industry has commenced. The development of the medical device industry will shift from a fragmented mode towards a more centralized one. The demand for mergers and acquisitions of the medical device industry in China is huge and industry integration will definitely be the direction of future development. In order to seize the business opportunities, the Group will continue to seek fast-growing and high-margin business with high growth potential within and outside of our current business segments so as to scale up the business landscape and consolidate its leading position in the industry.

FINANCIAL REVIEW

REVENUE FROM CONTINUING OPERATIONS

The revenue of the Group from continuing operations increased by 8.3% from approximately RMB286.9 million in 2017 to approximately RMB310.8 million in 2018, as a result of the increase in sales of the Infusion Set Business in the continuing operations. The sales increase in the Infusion Set Business was mainly due to: (i) an increase in sales of disposable intravenous cannula, which amounted to RMB10.6 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 11.9% from approximately RMB174.5 million in 2017 to approximately RMB195.2 million in 2018. The gross profit margin of continuing operations increased from 60.8% in 2017 to 62.8% in 2018, which was mainly due to the product mix changes with higher proportion of the sales of high margin products.

SELLING AND MARKETING EXPENSES OF CONTINUING OPERATIONS

Selling and marketing expenses of continuing operations increased by 33.1% from approximately RMB54.8 million in 2017 to approximately RMB72.9 million in 2018. This increase was mainly attributable to the expansion of distribution networks and production promotion.

GENERAL AND ADMINISTRATIVE EXPENSES OF CONTINUING OPERATIONS

General and administrative expenses of continuing operations decreased by 37.6% from approximately RMB70.6 million in 2017 to approximately RMB44.0 million in 2018. The decrease was the result of: (i) a decrease caused by the reversal of impairment allowances for trade receivables amounted to RMB34.2 million of bad debt expense (2018: RMB–14.1 million, 2017: RMB20.1 million); (ii) an increase caused by the legal and other services fee incurred for the bank borrowing and the investment in an associate amounted to approximately RMB6.8 million.

R&D EXPENSES OF CONTINUING OPERATIONS

R&D expenses of continuing operations increased by 105.2% from approximately RMB13.1 million in 2017 to approximately RMB26.9 million in 2018, mainly because the Group conducted more R&D activities.

FINANCE COST/INCOME — NET, OF CONTINUING OPERATIONS

The Group had a net finance cost of continuing operations of RMB5.9 million for the year ended December 31, 2018, decreased by approximately RMB6.3 million from a net finance income of RMB0.4 million in 2017. During the year ended December 31, 2018, the Group had incurred interest expense and structuring fee for the bank borrowing amounted to RMB8.6 million (2017: nil), which caused a decrease in finance income; and the decrease was partly offset by the foreign exchange gain of RMB1.3 million in 2018 (2017: foreign exchange loss of RMB1.4 million).

FINANCIAL REVIEW

SHARE OF RESULT OF AN ASSOCIATE

As disclosed in Note 17 to the consolidated financial statements for the year ended December 31, 2018, the investment in CBPO is classified as interest in an associate and has been accounted for in the consolidated financial statements using equity method, and share of result of CBPO during the year ended December 31, 2018 amounted to RMB100.8 million, after deducting amortization of intangible assets arising from the acquisition of RMB42.8 million during the year ended December 31, 2018.

OTHER LOSSES/GAINS — NET, OF CONTINUING OPERATIONS

Other losses — net, of continuing operations in 2018 amounted to approximately RMB19.7 million, as compared to other gains — net, of continuing operations of approximately RMB8.6 million in 2017, mainly because of: (i) a loss on deemed disposal amounted to RMB3.9 million caused by the dilution of equity interest in CBPO held by the Group from 16.66% to 16.06% due to the exercise of share options by grantees and the issuance of share capital by CBPO; and (ii) a loss on financial guarantee of RMB26.2 million as disclosed in Note 6 to the consolidated financial statements for the year ended December 31, 2018.

INCOME TAX EXPENSES OF CONTINUING OPERATIONS

For the year ended December 31, 2018, income tax expenses of continuing operations amounted to approximately RMB11.1 million, decreased by approximately RMB0.2 million as compared with approximately RMB11.3 million in 2017.

PROFIT FROM DISCONTINUED OPERATIONS

A breakdown of the performance result of discontinued operations can be found in Note 25 to the consolidated financial statements for the year ended December 31, 2018.

GAIN ON DISPOSAL OF SUBSIDIARIES, NET OF TAX

As disclosed in Note 24 to the consolidated financial statements for the year ended December 31, 2018, the Company and CBPO entered into the Share Exchange Agreement, 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 Holdings Limited, which in turn owns 80% equity interest in Tianxinfu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有公司). 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

For the foregoing reasons, the profit from continuing operations of the Group in 2018 increased from approximately RMB33.8 million in 2017 to RMB115.5 million.

After taking into account the gain on disposal of subsidiaries, net of tax in 2018, the Group's consolidated net profit for the year ended December 31, 2018 amounted to approximately RMB1,666.3 million, representing an increase of RMB1,515.0 million as compared to the consolidated net profit for the year ended December 31, 2017.

FINANCIAL REVIEW

TRADE AND OTHER RECEIVABLES

The Group's trade receivables primarily comprised the outstanding payment from credit sales. As of December 31, 2018, the trade receivables of the Group was approximately RMB203.8 million, representing an increase of approximately RMB12.6 million as compared to approximately RMB191.2 million as of December 31, 2017, which was mainly due to the reversal of impairment allowance of trade receivables amounted to RMB14.1 million.

INVENTORIES

Inventories decreased by approximately 11.9%, from approximately RMB45.8 million as of December 31, 2017 to approximately RMB40.4 million as of December 31, 2018. The decrease of inventories was mainly due to the decrease in raw materials as a result of the more effective purchase and utilization management of raw materials.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly included buildings and facilities, machinery and equipment and construction in progress. As of December 31, 2018, the property, plant and equipment of the Group amounted to approximately RMB709.3 million, representing a decrease of approximately RMB128.5 million as compared to approximately RMB837.8 million as of December 31, 2017. The decrease was the net result of that: (i) the construction of facilities to expand production capacities of continuing operations amounted to approximately RMB151.4 million and (ii) the transfer to investment properties amounted to RMB262.2 million.

INTANGIBLE ASSETS

The Group's intangible assets mainly include goodwill, technology know-how, trademarks, computer software and customer relationship. The Group's goodwill, technology know-how and trademarks are mainly identified and recorded during the purchase accounting process for the acquisitions of subsidiaries 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 December 31, 2018, the net value of the Group's intangible assets was approximately RMB184.4 million, representing a decrease of approximately RMB3.4 million as compared to RMB187.8 million as of December 31, 2017. The decrease was primarily due to the amortisation charged during the year ended December 31, 2018.

FINANCIAL RESOURCES AND LIQUIDITY

As of December 31, 2018, the Group's cash and bank balances amounted to approximately RMB99.0 million (2017: RMB364.3 million) and the Group had no term deposits (2017: Nil). As at December 31, 2018, the Group's bank borrowing balances was RMB567.7 million as disclosed in Note 21 to the consolidated financial statements for the year ended December 31, 2018 (2017: Nil).

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

FINANCIAL REVIEW

PLEDGE OF ASSETS

Save as those disclosed in Note 21 to the consolidated financial statements, during the year ended December 31, 2018, the Group did not enter into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. It did not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or R&D or other services with it.

COMMITMENTS

As of December 31, 2018, the Group had a total capital commitment of approximately RMB8.1 million (2017: RMB15.9 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

CAPITAL EXPENDITURE

During the year ended December 31, 2018, the Group incurred expenditure of RMB146.2 million on the construction in progress including facilities and production lines and expenditure of RMB5.3 million on the purchase of property, plant and equipment.

GEARING RATIO

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowing divided by total capital. Total borrowing is current bank borrowing as shown in the consolidated balance sheet. Total capital is calculated as "total equity" as shown in the consolidated balance sheet plus total borrowing.

	As at December 31	
	2018 **RMB'000**	2017 RMB'000
Total borrowing	**567,724**	—
Total equity	**4,494,137**	2,943,514
Total capital	**5,061,861**	2,943,514
Gearing Ratio	**11.22%**	—

FINANCIAL REVIEW

FOREIGN EXCHANGE RISK

The Group mainly operates its business in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Hong Kong dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group did not hedge against any fluctuation in foreign currency during the year ended December 31, 2018. Management 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 has no other significant interest-bearing assets. The management does not anticipate any significant impact to interest-bearing assets resulting from the changes in interest rates because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from bank borrowing. Borrowing issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

At December 31, 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year by approximately RMB474,000 (2017: nil).

The sensitivity analysis above has been determined by assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

CREDIT RISK

The carrying amounts of cash and cash equivalents and trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are state-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.

For trade and other receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Most of these balances are due from stated-owned enterprises or major customers with good repayment history. There was no material default of the balances in the past.

CORPORATE GOVERNANCE REPORT

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

The Board considers that during the year ended December 31, 2018, the Company has applied the principles and complied with the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

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

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

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

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

CORPORATE GOVERNANCE REPORT

A2. Board Composition

The composition of the Board during the year ended December 31, 2018 and up to the date of this report is as follows:

Executive Director:

Ms. Yue'e ZHANG (Note)	*(Chairman of the Board, CEO and chairman of the Nomination Committee)*

Non-executive Directors:

Mr. JIANG Liwei (Note)	
Mr. LIN Junshan	*(Member of both the Audit Committee and the Remuneration Committee)*

Independent non-executive Directors:

Mr. WANG Xiaogang	*(Chairman of the Audit Committee and Member of the Nomination Committee)*
Mr. ZHANG Xingdong	*(Member of both the Remuneration Committee and the Nomination Committee)*
Mr. CHEN Geng	*(Chairman of the Remuneration Committee and Member of the Audit Committee)*

Note: Mr. JIANG Liwei has resigned as the CEO and has been re-designated from an executive Director to a non-executive Director with effect from March 31, 2019. Ms. Yue'e ZHANG has been appointed in replacement of Mr. JIANG Liwei to act as the CEO with effect from March 31, 2019.

Throughout the year ended December 31, 2018, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with one of them, being Mr. WANG Xiaogang, possessing appropriate professional qualifications and accounting and related financial management expertise.

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

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

CORPORATE GOVERNANCE REPORT

A3. Chairman and Chief Executive

The roles and duties of the Chairman and the CEO are held by separate persons and have been clearly defined in writing in order to ensure a balance of power and authority and preserve a balanced judgement of views. During the year ended December 31, 2018, Ms. Yue'e ZHANG took up the role of Chairman and is responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner whereas Mr. JIANG Liwei was the CEO, taking care of the day-to-day management of the Group's business and implementing the Group's policies, strategic plans and business goals formulated by the Board.

A4. Appointment and Re-election of Directors

All Directors are appointed for a specific term, subject to renewal upon expiry of the existing term. Ms. Yue'e ZHANG and Mr. JIANG Liwei are appointed for a term of 3 years commencing from February 3, 2018 and June 1, 2016, respectively, pursuant to their respective appointment letters. All the non-executive Directors (including the independent non-executive Directors) are appointed for a term of 3 years from October 15, 2016 pursuant to their letters of appointment.

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

At the forthcoming 2019 AGM, Mr. LIN Junshan and Mr. ZHANG Xingdong shall retire by rotation pursuant to the Articles provisions as stated in the foregoing paragraph. Both of the above two retiring Directors, being eligible, will offer themselves for re-election at the 2019 AGM. The Board and the Nomination Committee recommended their re-election. The Company's circular, sent together with this annual report, contains detailed information of the above two Directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

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

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

CORPORATE GOVERNANCE REPORT

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the year ended December 31, 2018, the then Directors have complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

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

A6. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended December 31, 2018 are set out below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors:					
Ms. Yue'e ZHANG(Note)	6/6	N/A	N/A	1/1	1/1
Mr. JIANG Liwei(Note)	6/6	N/A	N/A	N/A	1/1
Non-executive Director:					
Mr. LIN Junshan	6/6	4/4	1/1	N/A	1/1
Independent non-executive Directors:					
Mr. WANG Xiaogang	6/6	4/4	N/A	1/1	1/1
Mr. ZHANG Xingdong	6/6	N/A	1/1	1/1	1/1
Mr. CHEN Geng	6/6	4/4	1/1	N/A	1/1

Note: Mr. JIANG Liwei has resigned as the CEO and has been re-designated from an executive Director to a non-executive Director with effect from March 31, 2019. Ms. Yue'e ZHANG has been appointed in replacement of Mr. JIANG Liwei to act as the CEO with effect from March 31, 2019.

In addition, the Chairman held a meeting with the non-executive Directors (including the independent non-executive Directors) without the presence of executive Directors during the year ended December 31, 2018.

CORPORATE GOVERNANCE REPORT

A7. Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of their office or employment, are likely to possess inside information of the Company and/or securities. Specific enquiry has been made of all the Directors and they have confirmed their compliance with the Model Code throughout the year ended December 31, 2018. In addition, no incident of non-compliance of the Model Code by the senior management of the Group was noted during the year ended December 31, 2018.

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

A8. Corporate Governance Functions

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

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

B. BOARD COMMITTEES

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

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

B1. Remuneration Committee

The Remuneration Committee comprises a total of three members, being one non-executive Director, namely Mr. LIN Junshan, and two independent non-executive Directors, namely Mr. CHEN Geng (chairman of the Committee) and Mr. ZHANG Xingdong. Throughout the year ended December 31, 2018, the Company has met the Listing Rule requirements of having the majority of the Remuneration Committee members being independent non-executive directors as well as having the Committee chaired by an independent non-executive director.

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

CORPORATE GOVERNANCE REPORT

During the year ended December 31, 2018, the Remuneration Committee has held one meeting, in which the existing remuneration policy and structure of the Company and the remuneration packages of Directors and senior management were reviewed and relevant recommendations were made to the Board.

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

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended December 31, 2018 is set out below:

Remuneration band (HK$)	Number of individual
Nil–1,000,000	2
1,000,001–1,500,000	1
1,500,001–2,000,000	—

The amount of remuneration includes the amortisation of the fair value of share-based compensation, wages, salaries, bonus, contribution to social securities and housing fund. Details of the remuneration of each Director for the year ended December 31, 2018 are set out in Note 8 to the financial statements contained in this annual report.

B2. Nomination Committee

The Nomination Committee comprises a total of three members, being one executive Director, namely Ms. Yue'e ZHANG (chairman of the Committee), and two independent non-executive Directors, namely Mr. ZHANG Xingdong and Mr. WANG Xiaogang. Throughout the year ended December 31, 2018, the Company has met the code provision A.5.1 of having a majority of the Committee members being independent non-executive directors and having the Committee chaired by the chairman of the Board.

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

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

The Company also recognizes and embraces the benefit of having a diverse Board to enhance the quality of its performance. To comply with Rule 13.92 of the Listing Rules and code provision A.5.6 of the CG Code, a Board diversity policy was adopted by the Company, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

CORPORATE GOVERNANCE REPORT

During the year ended December 31, 2018, in response to the amendment to the CG Code effective on January 1, 2019, the Company has also adopted the director nomination policy. Such policy, devising the criteria and process of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing better Board effectiveness and diversity as well as in compliance with the applicable rules and regulations.

During the year ended December 31, 2018, the Nomination Committee has held one meeting and performed the following major works:

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

— Recommendation of the re-appointment of the retiring Directors standing for re-election at the AGM held on June 5, 2018 (the "2018 AGM"); and

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

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

B3. Audit Committee

The Company has met the Listing Rule requirements regarding the composition of the Audit Committee throughout the year ended December 31, 2018. The Audit Committee comprises a total of three members, being one non-executive Director, namely Mr. LIN Junshan, and two independent non-executive Directors, namely Mr. WANG Xiaogang and Mr. CHEN Geng. The chairman of the Audit Committee is Mr. WANG Xiaogang who possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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

During the year ended December 31, 2018, the Audit Committee has held four meetings and performed the following major works:

— Review and discussion of the annual financial statements, results announcement and report for the year ended December 31, 2017, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's financial reporting system, internal control and risk management review and processes; the major internal audit issues for the year ended December 31, 2017 and the existing internal audit function of the Company; and recommendation of the re-appointment of the external auditor;

— Consideration and recommendation of the appointment of BDO Limited as the new external auditor of the Company for filling the casual vacancy caused by the retirement of PricewaterhouseCoopers at the 2018 AGM;

— Review and discussion of the interim financial statements, results announcement and report for the six months ended June 30, 2018 and the related accounting principles and practices adopted by the Group;

— Discussion of the nature, plan and scope of the Group's audit and the audit fee for the year ended December 31, 2018; and

CORPORATE GOVERNANCE REPORT

— Review of the arrangements for employees of the Group to raise concerns about possible improprieties in the Group's financial reporting, internal control or other matters and the investigation process on the reported cases.

The external auditors has attended three of the above meetings and discussed with the Audit Committee members on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

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

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Group for the year ended December 31, 2018.

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

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

D. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Board reviews the effectiveness of the risk management and internal control systems as well as the internal audit function of the Company on an annual basis through the Audit Committee.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including production, procurement, marketing, finance, human resources, and information technology. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assess the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2018.

CORPORATE GOVERNANCE REPORT

The Company's internal auditor is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. During the year under review, the internal auditor examined key issues in relation to the accounting practices and all material controls and provided its findings to the Audit Committee.

During the year ended December 31, 2018, the Board, as supported by the Audit Committee as well as the report from the management and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

E. COMPANY SECRETARY

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

Ms. SO and Tricor are responsible for providing advice to the Board on corporate governance matters. Ms. SO has confirmed that she has taken no less than 15 hours of relevant professional training during the year ended December 31, 2018.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the Company's financial statements for the year ended December 31, 2018 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to BDO Limited in respect of audit services and non-audit services for the year ended December 31, 2018 are analyzed below:

Type of services provided by the external auditor	**Fees paid/ payable** (RMB'000)
Audit services	1,200
Non-audit services	253
TOTAL:	1,453

CORPORATE GOVERNANCE REPORT

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

Address:	Building 1, Courtyard 23 Panlong West Road Mafang Industrial Park Pinggu District Beijing, the PRC
Email:	ir@pwmedtech.com
Fax number:	(86) 10 84783657

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

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

H. SHAREHOLDERS' RIGHTS

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the third environmental, social and governance report issued by the Group (the "Report"). By reporting the policies, measures and performance of the Group in terms of environment, society and governance, this Report aims to facilitate each stakeholder's understanding of the progress and development direction of the Group's sustainable development issues. This Report is prepared in Chinese and English and has been uploaded to websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Group at www.pwmedtech.com.

Scope of Report

This Report discloses the environmental, social and governance performance of the Group from January 1, 2018 to December 31, 2018 (the "Year"). The scope of this Report covers the Group's operation of the "Infusion Set Business" and focuses on a Beijing-based plant related to the "Infusion Set Business" of the Group (referred to as the "Fert Plant" or the "Plant").

Reporting Standards

This Report is prepared in accordance with the "comply or explain" provisions in the Environmental, Social and Governance Reporting Guide (the "Guide") as set out in Appendix 27 of the Listing Rules issued by the Stock Exchange, and takes the four reporting principles listed therein, namely materiality, quantitative, balance and consistency, as the basis for preparation of this Report. In order to ensure the accuracy of the environmental key performance indicators, the Group has entrusted Carbon Care Asia, a professional consulting company, to carry out carbon assessment.

Confirmation and Approval

All information referred to in this Report is derived from the official documents and statistics of the Group, and also the management and operation information collected according to the policies of the Group. This Report was confirmed and approved by the Board of the Group on March 28, 2019.

Feedbacks

The Group pays attention to the opinions of stakeholders. If you have any enquiries or suggestion on the contents or the reporting form of the report, you are welcomed to contact the Group by the following means:

Address:	Building 1, Courtyard 23, Panlong West Road, Mafang Industrial Park, Pinggu District, Beijing, the PRC
E-mail:	ir@pwmedtech.com
Tel:	+86-10-84783617
Fax:	+86-10-84783657

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group considers risk management as an integral part of the daily management and sound governance of an enterprise. In order to enhance the effectiveness of risk management, the Board of the Group is responsible for evaluating and determining the risks faced by the Group during the course of achieving its corporate strategic objectives, at the same time establishing effective risk management and internal control systems. The Group's internal auditor is responsible for reviewing the effectiveness of the risk management and internal control systems on an annual basis and shall report its findings to the Audit Committee.

In consideration of the regulatory requirements and risks associated with environmental, social and governance, the material risks and response measures of the Group are as follows:

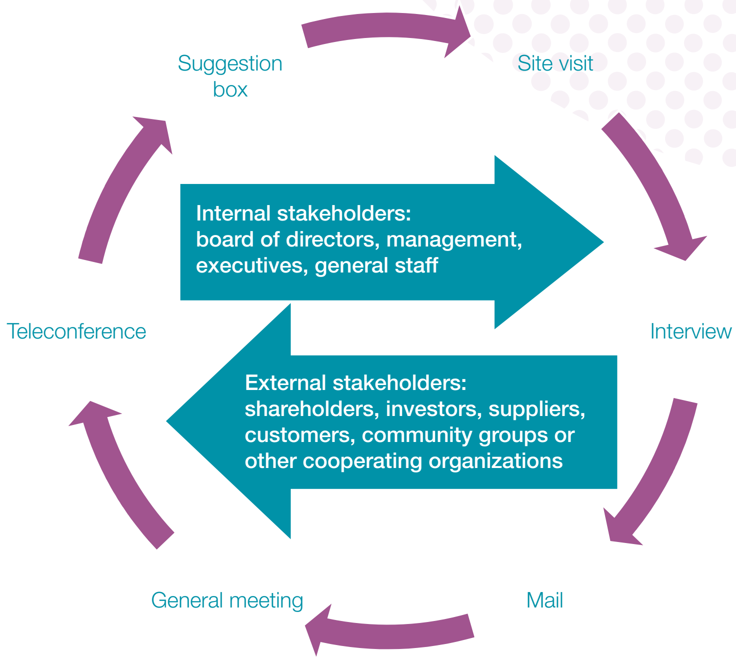
Material environmental, social and governance risks	Effects	Control measures
Labor standards	We pay great attention to the potential labor problems arising from recruitment. In case of any misuse of child labor or forced labor, our brand image will be negatively affected and we will be exposed to corresponding legal risks, which will cause an adverse impact on the Group's operation.	— The Group complies with relevant national laws and regulations and formulates various internal policies within the Group, so as to ensure that the recruitment procedure conforms to the standards set out in national and local laws and regulations.
Product quality	Product quality is an important foundation of the Group's operation. In case of any quality issue of our products, the Group's image and consumer confidence will be negatively affected and we will be subject to legal and other risks arising therefrom.	— The Group expects to regulate its production procedure by optimizing internal management documents regarding quality assurance of products, so as to ensure that its products conform to national or local standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNICATION WITH THE STAKEHOLDERS

PW Medtech places great emphasis on the engagement of stakeholders[1] and communicates with them through daily operations and different communication channels to build a trusting relationship. This not only ensures that the stakeholders understand the development and operation approach of the Group, but also provides an opportunity for the Group to obtain opinions from the stakeholders and review its potential risks and business opportunities in terms of sustainable development, and hence further determine priority of various issues and formulate relevant policies and measures.

Major Methods of Communication with Stakeholders During This Year



In order to establish the Group's sustainable development strategy and direction, and identify the environmental and social issues that are crucial for the Group and the stakeholders, PW Medtech has entrusted Carbon Care Asia, a professional consulting company, to conduct interviews with the management of the Company. Taking into account the findings of the interviews and the consultant's opinions, the Group has selected four items out of the eleven environmental and social scopes from the Guide as the focus discussion for the reporting, including employment, health and safety, development and training, and labor standards.

In recognition of the importance of communication with stakeholders, PW Medtech has established effective and accurate communication channels, and provides replies in a timely manner. In the future, the Group will continue to strengthen the interaction with stakeholders, develop more diversified channels, increase the opportunities to contact with them, and create a mutually beneficial and win-win relationship.

1 "Stakeholders", also referred to as "stake holders" or "equity holders", are the groups and individuals having great influences on or being affected by the company's businesses, including the board of directors, management, executives and general staff with the organisation; and external shareholders, business partners, customers, governmental and regulatory institutions, banks and investors and community groups.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR EMPLOYEES

Employment System

PW Medtech attaches great importance to the establishment of a sound employment system. At present, the Group has formulated the "Staff Manual" to regulate the management of the Group in terms of salary and dismissal, recruitment, working hours and holidays.

PW Medtech has established an attendance management system, and stipulated different management requirements for marriage leave, maternity leave and funeral leave, thereby safeguarding employees' rights to normal leave. Employees who apply for leave shall submit the "Leave Requisition Form" and other relevant information to the human resources department and may take leave upon approval by the general manager, provided that it does not affect business operation.

In addition to basic salary, the Group stipulates the appraisal methods for employees at different levels according to the performance management system. After the appraisal, the head of each department will score the performance of the employees and calculate the appraisal results. Upon being signed and confirmed by the employees, the appraisal form will be submitted to the human resources department for filing. In the event of any objections to the appraisal results, the employees may fill out the "Objection Form for Performance Appraisal Results" and submit it to the human resources department.

During this Year, the Group has carried out a wide range of measures to reduce employee turnover rates, such as organizing group activities, providing festive welfares, optimizing training programs, enriching the work and entertainment life of our employees and improving the catering environment.

The Group complies with relevant laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China. During this Year, the Group has not identified any cases of non-compliance with laws and regulations regarding employment. Looking forward, the Group will formulate policies in various aspects including promotion, equal opportunity, diversity, anti-discrimination and other benefits and welfares, with a view to establishing a systematic work management system.

Health and Safety

As a company specializing in the manufacture of infusion sets, PW Medtech is committed to safeguarding the health and safety of its employees during the production and reducing hazardous accidents. To this end, the Group has formulated management documents such as the "Safety Management System" in accordance with the relevant national provisions on safety production and stipulated regulations regarding occupational hygiene and fire safety.

As provided in the Group's "Safety Management System", for the sake of occupational health and safety of the employees and the prevention of occupational disease, all experiment operators are required to wear labor protection tools during the operation. In addition, special tools shall be used in operation to avoid physical contact with hazardous and poisonous materials. Filters with hazardous drugs shall be disposed of properly immediately and improper disposal is prohibited.

The Group attaches great importance to the management of fire safety and has made safe arrangements for the management of flames, power supply and electrical appliances and fire-fighting equipment to prevent accidents from affecting the health and safety of the employees. Adhering to the basic guideline of "precaution comes first with active prevention", the Group stays in line with the principle of "the one who manages shall be accountable; the one who uses shall maintain" for its work in relation to fire safety management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With an aim to ensure the effectiveness of its fire safety work, the Group has established corresponding management systems.

Position	Responsibility
General manager	fully in charge of the fire safety of the Group
General administration department	the department in charge of fire safety management that is responsible for providing instruction and carrying out inspections on fire safety of each department. Fire safety inspection is organized on a monthly basis
Fire safety specialist of human resources department	fire safety promotion, education and training for new employees
Fire safety specialist	responsible for managing and supervising the implementation of the Group's fire safety work under the leadership of the department in charge of fire safety
Voluntary fire-fighters	conduct fire safety training and fire drills on a regular basis

The Group has installed fire-fighting equipment and put up fire safety signage in the plant area according to national standards. Fire safety specialists shall establish a "Fire Equipment Management Ledger" to record the name, specification, quantity, location of installation and other information of all fire equipment. In case of an emergency, such as fire or explosion, the relevant departments and personnel shall take emergency measures and evacuate the staff immediately to minimize the impact of the accident.

During this Year, there was a work-related injury accident caused by improper operation in the plants of the Group. After the accident, the employee stopped working and was sent to hospital immediately. Medical expenses were jointly borne by the Group and the employee's social security insurance. The human resources department and other relevant departments launched training on operating procedures, safety awareness and self-protection for employees after the accident to prevent the recurrence of work-related injuries.

The Group abides by relevant laws and regulations, such as the Production Safety Law of the People's Republic of China, the Law of Prevention and Control of Occupational Diseases of the People's Republic of China, the Fire Control Law of the People's Republic of China and other laws and regulations. During the Year, the Group has not identified any cases of non-compliance with laws and regulations regarding health and safety.

Development and Training

Nurturing the work skills of the employees is one of the key focuses of the Group. PW Medtech has formulated the "Training Management System" to regulate the training management for its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In light of different requirements of employees in various positions, the Group divided the training into two parts, i.e. internal training and external training. Highlights of the training are as follows:

Training Methods	Training Modes	Training Targets	Training Contents
Internal training	Lectures, lessons and seminars, etc.	all new recruits	knowledge on safe infusion, and production process and safe operation for basic products
External training	Open classes, seminars, forums and external lecturers, etc.	departments or employees in need	adapting to specific positions and career development directions

After the training, the trainees will be assessed accordingly to examine the training outcome, and the assessment results will be used as the basis for passing probation and performance appraisal. Training report shall be duly prepared and maintained by each of the training organisers.

About 80% of the employees have received the training

Average training time of employees is **3.26 hours**

LABOR STANDARDS

In order to safeguard the legitimate rights of the employees, child labor and forced labor are forbidden in PW Medtech. The Group has formulated the "Measures for Prevention and Rectification of Misuse of Child Labor" and the "Staff Manual" to regulate the management of child labor and forced labor.

As provided in the "Measures for Prevention and Rectification of Misuse of Child Labor" of the Group, the human resources department shall review the age of the interviewees or employees during interviews or random check-ups by methods such as inspection of identification documents, etc. The interview or employment shall be terminated immediately if the relevant person is found to be under the age of 16. The human resources department shall contact the guardian of such person to escort him/her home.

In addition, forced labor of any form is forbidden within the Group. It is stipulated in the "Staff Manual" that employees shall have the right to resign on his/her own will. If an employee would like to resign, he/she must submit the application for resignation one month in advance, and go through the relevant procedures with the human resources department in accordance with the relevant provisions as set out in the "Employee Resignation Application Form" and the "Employee Resignation Handover Form". For resigned employees, the Group will arrange exit interviews according to the employees' wishes to understand the reasons for their resignations to improve the future employment management of the Group. Upon the completion of the resignation procedures, the Group will issue a certificate of resignation based on the performance of the employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has complied with relevant laws and regulations such as the Labor Law of the People's Republic of China and the Law on Protection of Minors of the People's Republic of China. During the Year, the Group has not identified any cases of non-compliance with laws and regulations regarding child labor or forced labor.

ENVIRONMENTAL PROTECTION

EMISSIONS

Greenhouse Gas (GHG)

PW Medtech places great emphasis on the carbon footprint along the value chain of operation and is committed to reducing the impact of its business on the environment. During the Year, the Group entrusted Carbon Care Asia, a professional consulting company, to assess the Group's GHG emission. The quantification of GHG was carried out by referring to the guidelines[2] issued by the National Development and Reform Commission of China, as well as ISO14064-1 and Greenhouse Gas Protocol, and other international standards.

The total carbon emission generated by the Fert Plant during the Year amounted to approximately 6,200 tons of carbon dioxide equivalent, among which the GHG emission arising from the use of electric power accounted for approximately 99% of the total GHG emission. The increase in production volume of the Fert Plant as compared to last year may be the direct reason for the increase in its electric power consumption and GHG emission. The Group will continue to explore alternatives to save electric power and lower GHG emission. For the quantification result of GHG emission for the Year, please refer to the environmental performance section in "Overview of Key Performance Indicators" of this Report.

PW Medtech will continue to assess, record and disclose its GHG emission data annually. Due to the adjustment in business strategies, the Group will regard the data for the Year as a benchmark for comparison with future data, which will serve as the basis for setting carbon emission reduction objectives, measures and priorities in the future.

Waste gases

PW Medtech generates waste gases during its production activities, which include the ethylene oxide exhaust gas arising from sterilization of advanced infusion sets, and nitrogen oxides, sulfur oxides and suspended particles generated from combustion of fossil fuels by vehicles and kitchenware of staff canteen. Ethylene oxide exhaust gas is stored in warehouses upon hydrolysis treatment, and are collected and disposed of regularly by professional treatment companies, while other waste gases were directly released into the atmosphere. For the quantification result of the waste gas emission for the Year, please refer to the environmental performance section in "Overview of Key Performance Indicators" of this Report.

Wastes

In respect of emission management, the Group has established relevant systems, such as the Regulations for the Management of Hazardous Chemicals, with the view to reducing wastes. Since certain types of hazardous chemicals are involved in the course of operation, the Group requires the relevant management staff to master the functions of those hazardous chemicals and handling procedures in case of emergency to prevent the leakage of hazardous chemicals. Hazardous chemicals shall be categorized and stored in different locations in accordance with their respective characteristics. Meanwhile, chemical storage areas should be labelled with fire safety signs and equipped with special fire-fighting equipment.

2 Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions by Enterprises in Other of industries (Trial)《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, the Fert Plant did not generate any hazardous wastes, but 200 tons of non-hazardous wastes, mainly comprising domestic garbage, were produced and disposed of by qualified cleaning companies.

Sewage

All water used by the Plant is sourced from municipal water supply. The Group's water consumption and sewage drainage mostly come from employees' domestic use, while domestic sewage and production sewage is drained via municipal pipeline network to the sewage treatment plant.

During the Year, the Group complied with laws and regulations related to emission, including the Atmospheric Pollution Prevention and Control Law, the Solid Waste Pollution Prevention and Control Law, the Environmental Protection Law and the Law of Prevention and Treatment of Water Pollution. The Group has not identified any cases of non-compliance with laws and regulations regarding emission.

Looking forward, the Group will formulate policies to manage wastes gases, GHG and non-hazardous wastes and hence reduce wastes emission. The Group has complied with the relevant laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Law of Prevention and Treatment of Water Pollution of the People's Republic of China and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China. During the Year, the Group has not identified any cases of non-compliance with laws and regulations regarding emission.

Use of Resources

The Group attaches great importance to the reduction of unnecessary wastes in daily operation and putting green development philosophy into practice. The Group advocates water-conserving habits to employees through internal communication. Apart from promoting to employees, the Group also actively applies water-conserving equipment to minimize the consumption of water resources.

During the Year, the Group quantified the use of resources and energy consumption. The quantification allowed the Group to develop an understanding of the use of its resources in a more effective manner, which would facilitate formulation and regular review of its action plans, energy-saving targets and indicators, thereby enhancing the performance and efficiency of the Group's resources on a continuous basis. Besides, there were no issues in sourcing water that was fit for the operation of the Plant. For the quantification result, please refer to the environment performance section in "Overview of Key Performance Indicators" of this Report.

The energy use of the Group mainly comprises the use of liquefied natural gas, gasoline and electric power. Other resources used include the use of water resources, raw materials and packaging materials. The principal raw materials used in the production of finished products in the Fert Plant are PVC granules and plastic ABS, with an annual consumption of 1,944 tons in aggregate. The packaging bags and packaging boxes used for packaging of finished products totalled 758 tons.

The Group's operation also involves the use of chemicals, such as ethylene oxide, alcohol, cyclohexanone, diluents, concentrated hydrochloric acid, concentrated sulfuric acid and mercuric iodide. In order to strengthen the management of use of chemicals and prevent accidents, the Group has formulated the Regulations for the Management of Hazardous Chemicals, clarifying the management responsibilities of and requirements to each production department in respect of hazardous chemicals so as to ensure safe production, use, storage and disposal of chemicals. Such regulations also cover areas of preventive measures and emergency procedures. Managers and responsible personnel must be familiar with the functions of hazardous chemicals as well as the emergency procedures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In coming years, the Group will continue to enhance its resource utilization efficiency in production, and gradually set up quantitative objectives for the use of resources with this year's resource consumption as the benchmark.

The Environment and Natural Resources

The Group's daily production and experiment may involve the use of hazardous chemicals, including ethylene oxide, alcohol, concentrated hydrochloric acid and mercuric iodide. To minimize the impact of hazardous chemicals on natural resources, the Regulations for the Management of Hazardous Chemicals of the Group has expressly stated that procurement of hazardous chemicals should only be carried out by personnel with relevant safety and protection knowledge. In addition, during the procurement process, the responsible personnel should examine the actual substances in the container to ensure it is in line with the descriptions on the product label.

As for transportation, the Group has engaged companies with qualifications for transporting hazardous chemicals to transport our chemicals. Hazardous chemicals have to be handled properly in transit so as to prevent leakage of hazardous chemicals due to collision. The quality management department of the Group will also carry out inspection or test on the chemicals and the chemicals will only be put into use in the Plant after passing the tests.

RESPONSIBLE OPERATION

Supply Chain Management

PW Medtech values supply chain management and understands the significance of selection of suppliers to its own operation. The Group selects suppliers that can meet its requirements through internal systems such as the Regulations on the Management of Supplier Audit and Procurement Control Procedures. Such systems concern the management of the product responsibility and employment risk along the supply chain (including production capability, assurance on product quality and technological capability), as well as risks regarding the conditions of production environment.

The procurement department and quality management department of the Group manage and control supply chain risk by engaging third parties to conduct evaluation and certification, on-site inspection and spot check. Once it is determined that there is a need for an on-site inspection, investigators of the Group must complete the Supplier On-site Inspection Record Form to record the performance of suppliers. The procurement department of the Group will follow up on the performance of suppliers on a continuous basis and assess their performances via regular phone calls or visits every month. Furthermore, at the end of the year, suppliers are required to fill in the Evaluation Form for Qualified Suppliers so as to achieve effective supplier management.

Product Responsibility

Health and Safety of Customers

In order to ensure the health and safety of products and strengthen the control over its production process, the Group has formulated the Production Process Control Procedures and enhanced the health and safety of its products through management in the following aspects.

1. Control over equipment: The production centre of the Group shall conduct regular maintenance for production equipment to ensure normal operation and hence satisfy the needs of production.

2. Control over materials: The Group requires all materials used in the production workshops to meet the Group's cargo inspection standards.

3. Control over production environment: The production center of the Group is responsible for the operation and maintenance of cleaning equipment, so as to ensure that the production environment is up to standard.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. Control over water and air for industrial use: The quality management department of the Group shall carry out inspection and test on the quality of water and compressed air to ensure it is up to the production standards.

5. Control over production process: The quality management department of the Group is responsible for inspection of product quality during the production process with reference to the relevant documents. In the case of defective products, the products will be handled pursuant to the Defective Products Control Procedures.

6. Control over personnel: The human resources department of the Group is responsible for training and assessment of staff to ensure their skills can satisfy the production requirements.

If quality issues are found in products after being sold, the quality management department of the Group will re-examine such products and record the re-examination results on the Quality Information Feedback Form within two working days upon receipt of the feedback samples. In the meantime, the quality management department holds regular quality meetings with other relevant departments at the beginning of each month, during which they will discuss the feedbacks received in the previous month in respect of product quality, and recommendations for improvement. In the event that the recall of defective products is required, the Group will adopt procedures under the Product Recall Management and Control Procedures.

Protecting Customers' Information

The Group has established the Customer Information and Feedback Control Procedures, aiming to gain a better understanding of the product demand and feedbacks of various customers and other information. For the purpose of protecting customers' information from leakage and realizing sound corporate governance, the Staff Manual of the Group stipulates that customer information shall be included in the scope of trade secret of the Group, and such information shall be mainly managed by the human resources department of the Group.

Management of Labels

As for regulating the management of product labels of the Group, the Group has formulated the Regulations for the Management of Using Labels and Qualification Seals. Each production line shall obtain the required labels for its production from the warehouse according to production needs. Meanwhile, accurate distribution records shall be maintained at the warehouse. Unused labels shall be returned to warehouse managers in a timely manner.

Intellectual Property Rights

As a company engaging in the research, development and production of proprietary medical devices, PW Medtech pays much attention to the protection of its intellectual property rights. According to the requirements of the Staff Manual, all contents related to intellectual property rights are managed in accordance with the national laws and regulations regarding intellectual property rights. In addition, when cooperating with suppliers, the products or services provided by suppliers must not be involved in any infringement or other intellectual property rights dispute as stipulated in the Group's Letter of Commitments on Integrity Cooperation.

Since the current business of the Group does not involve any plans for product advertisement, there are no relevant policies in place. The Group has complied with the relevant laws and regulations such as the Product Quality Law of the People's Republic of China. During the Year, the Group has not identified any cases of non-compliance with laws and regulations regarding product responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-Corruption

PW Medtech understands that anti-corruption is not only an important part of fulfilling social responsibilities within the Company, but also represents the expectation of society as a whole for corporates. The Group has established the relevant systems, such as the Procurement Principles and Letter of Commitments on Integrity and Self-discipline, endeavoring to promote anti-corruption within the Group. The Group prohibits all employees from accepting any gifts (in kind or in cash) or marketable securities. If such gifts cannot be rejected at the time, they should be reported to and registered with the finance department of the Company. Failing to report any of the incidents will be treated as illegal gains and will be subjected to corresponding punishments. Moreover, employees responsible for procurement shall sign the Letter of Commitments on Integrity and Self-discipline and undertake that he/she will not accept or solicit bribes during the course of selection of suppliers, and report any misconduct of suppliers in a timely manner.

The Group has complied with the relevant laws and regulations such as the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and other applicable laws and regulations. During the Year, the Group has not identified any cases of non-compliance with laws and regulations regarding corruption, and no legal cases regarding corruption have been brought against the Group or its employees.

CO-BUILDING THE COMMUNITY

PW Medtech is highly committed to its social responsibilities and pays attention to the need of the community in which it operates. For the purpose of enhancing governance and effectiveness of community investment, the Group has established the Community Investment Policy to standardize the community investment of the Group. The Community Investment Policy of the Group has expressly outlined the main focuses of our community investment, namely:

1. Climate change and environment: The Group will cooperate with various parties in the society, striving to enhance the public's knowledge on climate change, while supporting related researches.

2. Community health: By means of talks and other activities, the Group will enhance the community's understanding of the nursing and infusion industry, and disseminate knowledge on safe infusion, thereby improving the overall health of the community.

3. Adolescent education and development: The Group will support the relevant skills training and development in schools by cooperating with nursing schools.

During the Year, the Group promoted healthcare knowledge to the public by organizing volunteer activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW OF KEY PERFORMANCE INDICATORS

Environmental Performance

	Type of Statistics	Emission in 2018
Waste gases[3]	Nitrogen oxides (Kg)	3.42
	Sulfur oxides (Kg)	0.86
	Particles (Kg)	0.54

	Type of Statistics	Emission in 2018
GHG emission	Scope 1: Direct GHG emission (carbon dioxide equivalent in tons)[4]	
	Fossil fuel combustion-fixed source	17.1
	Fossil fuel combustion-moving source	26.2
	Scope 2: Energy indirect GHG emission (carbon dioxide equivalent in tons)	
	Purchased electric power	6,150.5
	Scope 3: Other indirect GHG emission (carbon dioxide equivalent in tons)	
	Business trip by airplane	2.1
	Total GHG emissions (carbon dioxide equivalent in tons)	6,195.9
	GHG density (carbon dioxide equivalent in tons/m^2)	0.75

	Type of Statistics	Generation in 2018
Wastes	Hazardous wastes (tons)	N/A
	Non-hazardous wastes (tons)	
	Domestic garbage[5]	200
	Intensity of non-hazardous wastes (calculated by number of employees, i.e. "tons/number of employees")	0.35
	Intensity of non-hazardous wastes (calculated by production volume, i.e. "tons/10,000 items")	0.03

3 Nitrogen oxides and sulfur oxides only include emissions from combustion of fossil fuels by vehicles.

4 Fixed source of fossil fuel combustion was added to Direct GHG emission (Scope 1) during the Year, which is attributable to the working meals provided to employees by the Fert Plant from January to November during the Year. Among which, the GHG emission arising from combustion of liquefied natural gas by stoves in the kitchen accounted for approximately 40% of the total carbon emissions in that scope.

5 The volume of domestic garbage is an estimate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Type of Statistics	Consumption in 2018
Energy use	Direct energy (Megawatt hours)	
	Liquefied natural gas	79.7
	Gasoline	103.2
	Indirect energy (Megawatt hours)	
	Electric power	6,955.2
	Total energy consumption	7,138.1
	Energy intensity (calculated by area, i.e. "Megawatt hours/m^2")	1.13

	Type of Statistics	Consumption in 2018
Use of water resources	Total water consumption (m^3)	60,069
	Intensity of water consumption (calculated by area, i.e. "m^3/m^2")	105.38

	Type of Statistics	Consumption in 2018
Packaging materials	Total packaging materials (tons)	758
	Intensity of packaging materials (calculated by production volume, i.e. "tons/10,000 items")	0.12

Social Performance

Employee Distribution			Distribution and percentage of resigned employees	Distribution and percentage of new employees
Gender	Male	230	86 (37.4%)	72 (31.3%)
	Female	354	123 (34.7%)	177 (50.0%)
Type of employment	Senior management	8	0 (0.0%)	0 (0.0%)
	Middle management	27	1 (3.7%)	1 (3.7%)
	General staff	549	208 (37.9%)	248 (45.2%)
Age	Below 30	253	130 (51.4%)	166 (65.6%)
	30–40	209	72 (34.4%)	64 (30.6%)
	41–50	103	4 (3.9%)	19 (18.4%)
	Above 50	19	3 (15.8%)	0 (0.0%)
	Gender ratio (male: female)	1:1.5	1:1.4	1:2.5
Total		584	209 (35.8%)	249 (42.6%)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Occupational safety and health performance	Indicator
Work-related fatalities and percentage	0 (0%)
Number and percentage of employees who suffered from work-related injuries	1 (0.2%)
Lost days due to work-related injuries	147

Training		Distribution and percentage of employees receiving training	Training hours (hours)	Average training hours (hours)[6]
Gender	Male	186 (81%)	774	3.4
	Female	280 (79%)	1,127	3.2
Type of employment	Senior management	8 (100%)	104	13.0
	Middle management	27 (100%)	345	12.8
	General staff	431 (79%)	1,452	2.6
Total		466 (80%)	1,901	3.3

Regions in which where the suppliers are located	Number of suppliers	Provision of products or services	Number of suppliers implementing the relevant practices
Northern China (including Hebei, Beijing and Tianjin)	17	plastic-rubber particles and packaging materials	100%
Eastern China (including Jiangsu, Zhejiang and Shanghai)	23	film products, steel needles, plastic-rubber particles and packaging materials	100%

6 Calculation of average hours: the training hours of such type of employment divided by the number of employees of the same type.

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on May 13, 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company, and its subsidiaries established in the PRC are primarily engaged in the Infusion Set Business.

The activities and particulars of the Company's subsidiaries are shown under Note 32 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year ended December 31, 2018 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year ended December 31, 2018, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. A discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" in this annual report. In addition, a description of the environmental policies and performance of the Company is set out in the section headed "Environmental, Social and Governance Report" in this annual report. These discussions form part of this directors' report.

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended December 31, 2018 are set out on pages 67 to 74 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2018 (2017: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). The Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders.

DIRECTORS' REPORT

The Board adopts the Dividend Policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors including without limitation to:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans; and
- interests of Shareholders.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles. The Board will review the Dividend Policy as appropriate from time to time.

CLOSURE OF THE REGISTER OF MEMBERS FOR 2019 AGM

For determining the entitlement to attend and vote at the 2019 AGM to be held on June 4, 2019, the register of members of the Company will be closed from May 30, 2019 to June 4, 2019, both days inclusive, and during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on May 29, 2019.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 10 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended December 31, 2018 are set out in Note 14 to the consolidated financial statements on page 122 of this annual report.

DIRECTORS' REPORT

SHARE CAPITAL

The Company issued new ordinary Shares during the year ended December 31, 2018 upon exercise of share options by two Directors and an employee of the Group. The reason for the issue of new ordinary Shares is set out in the section headed "Pre-IPO Share Option Scheme". Details of the movements in share capital of the Company during the year are set out in Note 23 to the consolidated financial statements on page 132 of this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2018, other than the Pre-IPO Share Option Scheme and Share Option Scheme as set out in the section under "Pre-IPO Share Option Scheme and Share Option Scheme" and Note 28 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2018 are set out in Note 26 and Note 33 to the consolidated financial statements on pages 136 to 137 and pages 142 to 143 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2018, the Company's distributable reserves were RMB3,136.9 million.

BORROWINGS

Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 21 to the consolidated financial statements.

DONATIONS

During the year ended December 31, 2018, the Group did not make any charitable donations (2017: Nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2018.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

USE OF NET PROCEEDS FROM THE IPO

The net proceeds from the IPO amounted to HK$1,348.7 million (equivalent to approximately RMB1,059.8 million) after deducting share issuance costs and listing expenses. As at December 31, 2018, the proceeds raised by the Company from the IPO had been fully utilized. During the year ended December 31, 2018, 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. The following table sets forth a breakdown of the Group's use of net proceeds up to December 31, 2018.

	Balance of net proceeds as of January 1, 2018 HK$'000	Actual use of net proceeds up to December 31, 2018 HK$'000
Expand our manufacturing capacity and invest in R&D of new products	—	—
— purchase manufacturing equipment and complete the construction of manufacturing facilities for infusion sets	—	—
— R&D of new products	4,090	4,090
Implement our expansion plans	—	—
Expand our distribution network and sales and marketing team	—	—
For additional working capital and other general corporate purposes	—	—
Total	4,090	4,090

DIRECTORS

The Board during the year ended December 31, 2018 and up to the date of this report consists of the following six Directors:

Executive Director
Ms. Yue'e ZHANG *(Chairman)* (Note)

Non-executive Directors
Mr. JIANG Liwei *(CEO)* (Note)
Mr. LIN Junshan

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

Note: Mr. JIANG Liwei has resigned as the CEO and has been re-designated from an executive Director to a non-executive Director with effect from March 31, 2019. Ms. Yue'e ZHANG has been appointed in replacement of Mr. JIANG Liwei to act as the CEO with effect from March 31, 2019.

In accordance with Article 108 of the Articles, Mr. LIN Junshan and Mr. ZHANG Xingdong will retire as Directors at the 2019 AGM. The above retiring Directors, being eligible, will offer themselves for re-election at the 2019 AGM.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 13 to 15 in the section headed "Profile of Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has issued a letter of appointment to each of Ms. Yue'e ZHANG and Mr. JIANG Liwei, executive Directors, for a term of 3 years from February 3, 2018 and June 1, 2016, respectively. The Company has also issued a letter of appointment to each of the non-executive Director and independent non-executive Directors for a term of three years from October 15, 2016. The term of office of each of the Directors is subject to termination, and termination notice can be served either by the Director or the Company. The appointment may be renewed in accordance with the Articles and the applicable rules.

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

CONTRACT WITH DIRECTORS AND CONTROLLING SHAREHOLDER

No contract of significance has been entered into among the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries during the year ended December 31, 2018.

DIRECTOR'S INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party, and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2018.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

The remuneration (including fees, salaries and other benefits, and retirement benefit scheme contribution) paid to the Directors in aggregate for the year ended December 31, 2018 was approximately RMB3.4 million.

The remuneration (including salaries and other benefits, and retirement benefit scheme contribution) paid to the Group's five highest paid individuals in aggregate for the year ended December 31, 2018 was approximately RMB4.7 million.

DIRECTORS' REPORT

For the year ended December 31, 2018, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended December 31, 2018.

Details of the Directors' emoluments and the emoluments of the five highest paid individuals in the Group are set out in Note 8 to the consolidated financial statements on pages 114 to 116 of this annual report.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this annual report and in Note 28 to the consolidated financial statements on page 138 of this annual report.

Save as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2018, by the Group to or on behalf of any of the Directors.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESS

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

DEED OF NON-COMPETITION

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

The Covenantors declared that they have complied with the Non-competition Deed for the year ended December 31, 2018. The independent non-executive Directors have conducted such review for the year ended December 31, 2018 and also reviewed the relevant undertakings and are satisfied that the Non-competition Deed has been fully complied.

PENSION SCHEME

Details of the pension scheme of the Company are set out in Note 3.19 to the financial statements.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout the year ended December 31, 2018.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

Other than the Directors' appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended December 31, 2018.

LOAN AND GUARANTEE

During the year ended December 31, 2018, the Group had not made any loan or provided any guarantee for any loan, directly or indirectly, to the Directors, senior management, its ultimate controlling Shareholder or their respective connected persons.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

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

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

On July 6, 2013, options (exercisable for 10 years subject to vesting schedule as set out in the grant letter) to subscribe for an aggregate of 70,891,722 Shares were conditionally granted by the Company under the Pre-IPO Share Option Scheme to a total of 31 grantees, including one executive Director, two non-executive Directors, two independent non-executive Directors, five members of the senior management (excluding Directors) of the Group, one director of a subsidiary of the Company and 20 other employees of the Group. Such options were granted based on the performance of the grantees that have made important contributions or are important to the long term growth and profitability of the Group. Apart from the above share options, no options were granted under the Pre-IPO Share Option Scheme. In addition, no further options can be granted under the Pre-IPO Share Option Scheme on or after the Listing Date. The total number of shares available for issue under the Pre-IPO Share Option Scheme is 118,471 Shares, representing approximately 0.008% of the issued share capital of the Company as at the date of this annual report.

DIRECTORS' REPORT

Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the year ended December 31, 2018 are set out below:

Name or category of option holders	Outstanding as at January 1, 2018	Granted during the year	Number of options Exercised during the year (Note 1)	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2018
Directors of the Company						
Mr. WANG Xiaogang	318,471	—	200,000	—	—	118,471
Mr. CHEN Geng	318,471	—	318,471	—	—	—
Senior management and other employees of the Group						
In aggregate	95,777	—	95,541	—	236	—
Total	732,719	—	614,012	—	236	118,471

Notes:

(1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$1.46 per Share.

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

The Directors and the director of the Company's subsidiary who have been granted options under the Pre-IPO Share Option Scheme, have undertaken to 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 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 are not subject to, the regulations under Chapter 17 of the Listing Rules. Details of the impact of options granted under the Pre-IPO Share Option Scheme on the financial statements since the date of grant and the subsequent financial periods are set out under Note 28 to the consolidated financial statements.

DIRECTORS' REPORT

Share Option Scheme

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

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 160,000,000 Shares, representing approximately 10.20% of the total issued share capital of the Company as at the date of this annual report.

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

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

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

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

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

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

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

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

(A) Long position in ordinary Shares

Name of Director	Capacity	Number of ordinary Shares interested	Approximate percentage+ of the Company's issued share capital
Ms. Yue'e ZHANG	Beneficial owner	50,000	0.003%
Mr. JIANG Liwei	Beneficial owner	2,638,714	0.17%
Mr. LIN Junshan	Beneficial owner	1,673,427	0.11%
Mr. CHEN Geng	Beneficial owner	636,943	0.04%

(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. WANG Xiaogang	Beneficial owner	118,471	0.008%

Note: Details of the above share options granted by the Company are set out in the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this annual report.

+ The percentage represents the number of ordinary Shares/underlying Shares interested divided by the number of the issued Shares as at December 31, 2018.

Save as disclosed above and in the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" and to the best knowledge of the Directors, as at December 31, 2018, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at December 31, 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 December 31, 2018.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2018, no person had registered an interest or a short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' REPORT

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customer accounted for approximately 7.4% of the Group's total revenue from continuing operations. The Group's five largest customers accounted for approximately 24.0% of the Group's total revenue from continuing operations.

In the year under review, the Group's largest supplier accounted for approximately 5.4% of the Group's total cost of sales from continuing operations. The Group's five largest suppliers accounted for 19.0% of the Group's total cost of sales from continuing operations.

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

EMPLOYEES

The Group had approximately 1,079 employees as at December 31, 2018, as compared to approximately 1,322 employees as at December 31, 2017. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

RETIREMENT BENEFITS SCHEME

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

CONTINUING CONNECTED TRANSACTION

During the year ended December 31, 2018, the Group has not entered into any connected transaction or continuing connected transaction which is required to be disclosed pursuant to Rule 14A.71 of the Listing Rules.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2018 are set out in Note 29 to the consolidated financial statements contained herein.

None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group for each of the years ended December 31, 2016 and December 31, 2017 were audited by PricewaterhouseCoopers.

BDO Limited was appointed as the auditor of the Company for filling the casual vacancy caused by the retirement of PricewaterhouseCoopers at the 2018 AGM. The consolidated financial statements of the Group for the year ended December 31, 2018 were audited by BDO Limited. BDO Limited will retire as auditor of the Company at the forthcoming 2019 AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as the auditor of the Company will be proposed at the 2019 AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2018, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board
Yue'e ZHANG
Chairman

Hong Kong, March 28, 2019

INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of PW Medtech Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of PW Medtech Group Limited (the "Company") and its subsidiaries (together as the "Group") set out on pages 67 to 148, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Impairment assessment of goodwill

As at 31 December 2018, the carrying amount of goodwill was approximately RMB161 million. Goodwill acquired through business combinations has been primarily allocated to the cash-generating unit ("CGU") of the Infusion Set Business.

We identified the impairment assessment of goodwill as a key audit matter because of its significance to the consolidated financial statements and because this area involves a significant degree of judgement and estimation made by management, in particular the estimation of future cash flows and discount rate.

As required by accounting standards, management assesses the CGU containing goodwill for impairment on an annual basis. The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, requires judgement of management. Recoverable amounts are based on management's estimation of short term and long term revenue growth rate forecast, and profit margin forecast and discount rate used in the cash-flow forecast. No goodwill impairment was made after management's assessment.

The accounting policy, significant accounting judgements and estimates, key assumptions used in the impairment model and disclosures are included in Notes 3, 4 and 16 to the consolidated financial statements.

Our response:

Our procedures in relation to management's impairment assessment of goodwill included:

- Testing the mathematical accuracy of cash-flow forecasts of the CGU;
- Challenging the reasonableness of key assumptions adopted in the valuation, such as the discount rate, based on our knowledge of the business and industry and available market data;
- Performing sensitivity analysis on the key drivers of the cash flow forecast, including profit margin, long term growth rate and discount rate; and
- Reconciling input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts.

Impairment assessment of trade receivables

As at 31 December 2018, trade receivables which aged over one year amounted to approximately RMB105,600,000 (2017: RMB66,187,000), which represented approximately 52% (2017: 35%) of the total trade receivables. The Group is therefore exposed to a risk of default in respect of trade receivables. The bad debt provision was RMB9,550,000 as at 31 December 2018 (2017: RMB21,861,000).

We identified the impairment assessment of trade receivables as a key audit matter because of its significance to the consolidated financial statements and the assessment of impairment for trade receivables involved significant management judgements and estimations used on the expected future cash flows based on the creditability of the counterparties, nature and value of collateral held and anticipated receipts.

The accounting policy, significant accounting judgements and estimates and disclosures for the recognition of impairment of trade receivables are included in Notes 3, 4, 19 and 34(b) to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Our response:

Our procedures in relation to management's impairment assessment of trade receivables included:

- evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses;
- assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices;
- assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; and
- inspecting cash receipts from customers after the financial year end relating to trade receivables balances as at 31 December 2018, on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate number P05309

Hong Kong, 28 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Continuing operations			
Revenue	5	**310,813**	286,913
Cost of sales		**(115,570)**	(112,386)
Gross profit		**195,243**	174,527
Other (losses)/gains	6	**(19,732)**	8,611
Selling and marketing expenses		**(72,917)**	(54,785)
General and administrative expenses		**(44,007)**	(70,560)
Research and development expenses		**(26,905)**	(13,114)
Operating profit		**31,682**	44,679
Finance (Cost)/income — net	9	**(5,869)**	402
Share of result of an associate		**100,762**	—
Profit before income tax		**126,575**	45,081
Income tax expenses	10	**(11,064)**	(11,304)
Profit for the year from continuing operations		**115,511**	33,777
Discontinued operations			
Gain on disposal of subsidiaries, net of tax	24	**1,550,802**	—
Profit for the year from discontinued operations	25	**—**	117,565
Profit for the year		**1,666,313**	151,342
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(2,890)**	(42)
Share of exchange differences reserve of an associate		**80,741**	—
Reclassification from exchange differences reserve to profit or loss on disposal of subsidiaries		**(8,342)**	—
Reclassification from exchange differences reserve to profit or loss on deemed disposal of an associate		**(2,150)**	—
Items that will not be subsequently reclassified to profit or loss			
Gain on revaluation of property, plant and equipment on transfer of investment properties	15	**3,435**	—
Deferred tax liability on recognition of revaluation of properties		**(859)**	—
Other comprehensive income/(loss) for the year		**69,935**	(42)
Total comprehensive income for the year		**1,736,248**	151,300

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Profit for the year attributable to:			
Owners of the Company		**1,665,614**	122,084
Non-controlling interests		**699**	29,258
		1,666,313	151,342
Profit attributable to owners of the Company arises from:			
Continuing operations		**114,812**	33,119
Discontinued operations		**1,550,802**	88,965
		1,665,614	122,084
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,735,549**	122,042
Non-controlling interests		**699**	29,258
		1,736,248	151,300
Total comprehensive income attributable to owners of the Company arises from:			
Continuing operations		**184,747**	33,077
Discontinued operations		**1,550,802**	88,965
		1,735,549	122,042
		RMB Cents	RMB Cents
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the year	12		
Basic earnings per share			
From continuing operations		**7.32**	2.10
From discontinued operations		**98.85**	5.64
		106.17	7.74
Diluted earnings per share			
From continuing operations		**7.32**	2.10
From discontinued operations		**98.85**	5.64
		106.17	7.74

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Land use rights	13	**33,608**	47,118
Property, plant and equipment	14	**709,348**	837,820
Investment properties	15	**278,143**	—
Intangible assets	16	**184,437**	187,811
Interest in an associate	17	**3,568,906**	—
Deferred income tax assets	22	**2,514**	5,412
Long-term prepayments		**13,403**	8,486
Trade receivables	19	**—**	30,200
		4,790,359	1,116,847
Current assets			
Inventories	18	**40,365**	45,807
Trade and other receivables	19	**235,062**	243,330
Amount due from an associate		**27,497**	—
Amounts due from Disposal Group		**—**	27,722
Prepaid income tax		**2,723**	1,759
Cash and cash equivalents		**98,964**	364,259
		404,611	682,877
Assets of Disposal Group classified as held for sale	24	**—**	1,368,929
Total current assets		**404,611**	2,051,806
Total assets		**5,194,970**	3,168,653
Current liabilities			
Trade and other payables	20	**94,641**	54,826
Amount due to an associate		**27,952**	—
Amounts due to Disposal Group		**—**	28,330
Bank borrowing	21	**567,724**	—
		690,317	83,156
Liabilities of Disposal Group classified as held for sale	24	**—**	112,186
Total current liabilities		**690,317**	195,342
Net current (liabilities)/assets		**(285,706)**	1,856,464

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Deferred tax liabilities	22	**9,633**	28,714
Deferred government grant		**883**	1,083
Total non-current liabilities		**10,516**	29,797
NET ASSETS		**4,494,137**	2,943,514
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**965**	964
Share premium		**1,492,937**	1,492,318
Retained earnings		**2,528,779**	864,668
Reserves	26	**471,602**	401,903
		4,494,283	2,759,853
Non-controlling interests		**(146)**	183,661
TOTAL EQUITY		**4,494,137**	2,943,514

The financial statements on pages 67 to 148 were approved by the Board of Directors on 28 March 2019 and were signed on its behalf by:

Yue'e Zhang
DIRECTOR

Jiang Liwei
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves (note 26) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 year	—	—	—	—	122,084	122,084	29,258	151,342
Other comprehensive income								
Currency translation differences	—	—	—	(42)	—	(42)	—	(42)
Total comprehensive income/(loss) for the year	—	—	—	(42)	122,084	122,042	29,258	151,300
Exercise of employee share option	—	3,369	—	(2,012)	—	1,357	—	1,357
Buy-back and cancellation of shares	(15)	(39,362)	8,890	—	—	(30,487)	—	(30,487)
Changes in ownership interest in subsidiaries without change of control	—	—	—	332,603	—	332,603	167,397	500,000
Dividends paid to non-controlling interests in subsidiaries	—	—	—	—	—	—	(12,658)	(12,658)
At 31 December 2017 as originally stated	964	1,492,318	—	401,903	864,668	2,759,853	183,661	2,943,514
Initial application of HKFRS 9	—	—	—	—	(1,503)	(1,503)	—	(1,503)
Restated balance as at 1 January 2018	964	1,492,318	—	401,903	863,165	2,758,350	183,661	2,942,011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves (note 26) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Restated balance as 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 year	—	—	—	—	1,665,614	1,665,614	699	1,666,313
Other comprehensive income								
Currency translation differences	—	—	—	(2,890)	—	(2,890)	—	(2,890)
Share of other comprehensive income of an associate	—	—	—	80,741	—	80,741	—	80,741
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	—	—	—	(8,342)	—	(8,342)	—	(8,342)
Exchange differences reclassified to profit or loss upon deemed disposal	—	—	—	(2,150)	—	(2,150)	—	(2,150)
Gain on revaluation of investment properties	—	—	—	3,435	—	3,435	—	3,435
Deferred tax liability on recognition of revaluation of properties	—	—	—	(859)	—	(859)	—	(859)
Total comprehensive income for the year	—	—	—	69,935	1,665,614	1,735,549	699	1,736,248
Exercise of employee share option	1	619	—	(236)	—	384	—	384
Disposal of subsidiaries	—	—	—	—	—	—	(184,506)	(184,506)
At 31 December 2018	965	1,492,937	—	471,602	2,528,779	4,494,283	(146)	4,494,137

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
Profit before income tax including discontinued operations		**1,677,377**	219,880
Adjustments for:			
Depreciation of property, plant and equipment	14	**16,824**	18,563
Amortisation of intangible assets	16	**3,390**	25,947
Amortisation of land use rights	13	**1,045**	1,394
Loss on disposals of property, plant and equipment			
— Continuing operations		**58**	22
— Discontinued operations		**—**	45
Gain on disposal of subsidiaries, net of tax		**(1,550,802)**	—
Share of results from associated companies	17	**(100,762)**	—
Loss on deemed disposal of an associate	17	**3,882**	—
Realised gain on available-for-sale financial assets		**—**	(17,771)
Loss on financial guarantee	6	**26,186**	—
Interest expense	9	**8,609**	—
Interest income	9	**(1,399)**	(1,774)
Unrealised exchange gain		**1,846**	1,763
(Reversal of)/provision for impairment of receivables	34(b)	**(14,079)**	20,995
Provision for write-down of inventories		**—**	126
Operating cash flows before movements in working capital		**72,175**	269,190
Decrease/(increase) in inventories		**5,001**	(9,539)
Decrease/(increase) in trade and other receivables		**16,471**	(2,634)
Decrease in deferred government grant		**(200)**	(200)
Increase/(decrease) in trade and other payables		**13,838**	(16,737)
Cash generated from operations		**107,285**	240,080
Income taxes paid		**(9,580)**	(56,303)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**97,705**	183,777
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(4,249)**	(10,037)
Purchases of intangible assets		**(16)**	—
Payments for development costs of construction in progress		**(119,456)**	(250,050)
Purchases of available-for-sale financial assets		**—**	(1,181,750)
Proceeds from disposal of available-for-sale financial assets		**—**	1,199,521
Purchase of financial assets at fair value through profit or loss		**(5,900)**	—
Proceeds from disposal of subsidiaries		**9,043**	454,367
Increase in interest in associated company		**(551,778)**	—
Income tax paid for disposal of subsidiaries		**(247,501)**	—
Proceeds from disposal of property, plant and equipment		**754**	18
Interest received		**1,399**	1,774
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(917,704)**	213,843

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
FINANCING ACTIVITIES			
Buy-back of shares		—	(30,487)
Proceeds from capital injection by non-controlling interests		—	500,000
Proceeds from exercise of employee share options		324	390
Proceeds from bank borrowing	21	567,724	—
Interest paid		(8,609)	—
Dividends paid to non-controlling interest in subsidiaries		—	(12,658)
NET CASH GENERATED FROM FINANCING ACTIVITIES		559,439	457,245
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(260,560)	854,865
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(4,735)	(1,763)
Transfer to Disposal Group classified as held for sale		—	(638,406)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		364,259	149,563
CASH AND CASH EQUIVALENTS AT END OF YEAR			
represented by bank balances and cash		98,964	364,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

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, the "Group") are principally engaged in the development, manufacturing and sale of (i) advanced infusion set products (the "Infusion Set Business"); (ii) regenerative medical biomaterial products (the "Regenerative Medical Biomaterial Business"); and (iii) orthopedic implants products (the "Orthopedic Implant Business") in the People's Republic of China (the "PRC" or "China"). On 1 January 2018, the Regenerative Medical Biomaterial Business was disposed of and was presented as discontinued operations in the consolidated financial statements for the year ended 31 December 2017 (Note 24).

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2018

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A. HKFRS 9 — Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(a)(A)(i) and (ii) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated with the exception of certain aspects of hedge accounting.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	RMB'000
Retained earnings as at 31 December 2017	864,668
Increase in provision for trade receivables	(1,768)
Recognition of deferred taxation	265
Restated retained earnings as at 1 January 2018	863,165

(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 cost"); (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A. 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 flow 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 cost	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A. 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 at 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

The measurement categories for all financial liabilities remain the same for the Group, the carrying amounts for all liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or re-designate any financial asset or financial liability at FVTPL at 1 January 2018.

(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 ECLs for trade receivables, financial assets at amortised cost, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECLs 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A. HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rate where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof.

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECLs model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the trade receivables and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets at amortised cost, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A. 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 lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade receivables 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

Under HKAS 39, the Group had made a provision for impairment loss of trade receivables amounting to RMB21,861,000 as at 31 December 2017.

The further provision of 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 for trade receivables is amounting to RMB14,079,000 during the year ended 31 December 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A. HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impairment of other receivables

Other receivables represent receivables from disposal of Orthopedic Implant Business. It is considered to be low risk as the borrower is considered, in the short term, to have a strong capacity to meet its obligations, and therefore the impairment provision is determined as 12 months expected credit losses. The restatement of the loss allowance for debt investments and on transition to HKFRS 9 as a result of applying the expected credit risk model was immaterial.

(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.

(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 statement of financial position as at 31 December 2017, but are recognised in the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

B. 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.

The Group has applied the following accounting policy for revenue recognition in the preparation of these consolidated 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.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

B. HKFRS 15: Revenue from Contracts with Customers (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

The Group has reviewed the impact of HKFRS 15 and considered that HKFRS 15 does not have a material impact on the timing and amounts of revenue recognized for contracts with customers.

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:

Revenue for sales of advanced infusion set products

Revenue arising from the sales of advanced infusion set products in the ordinary course of business. Invoices are issued when the customer takes possession of and accepts the products and are usually payable within 180 days from the date of billing. No significant financial component existed. The transaction price is determined based on a stand-alone selling price specified in the contracts for advanced infusion set products.

Under HKAS 18, revenue from sale of advanced infusion set products is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually at the date when a Group entity has delivered products to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Under HKFRS 15, revenue is recognised when the customer takes possession of and accepts the products. Therefore, the initial adoption of HKFRS 15 did not result in significant impact on the Group's accounting policies on revenue for sale of equipment.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) Potential impact arising on HKFRSs not yet effective (Continued)

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Except as described above, the Directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statements have been prepared on a going concern basis which notwithstanding that the Group has a net current liabilities of RMB285,706,000 as at 31 December 2018. The directors of the Company have prepared the consolidated financial statements based on a going concern, as they expect that the Company is able to extend the existing bank borrowings for one more year, and moreover the Company is also capable of sourcing other new bank facilities, if necessary, after taking all relevant factors into consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Functional and presentation currency

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

3.4 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 3.5).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Principles of consolidation and equity accounting (Continued)

(iii) Equity accounting (Continued)

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 3.14.

The results of associates are included in the Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of PW Medtech Group Limited.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

— fair values of the assets transferred,

— liabilities incurred to the former owners of the acquired business,

— equity interests issued by the group,

— fair value of any asset or liability resulting from a contingent consideration arrangement, and

— fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the

— consideration transferred,

— amount of any non-controlling interest in the acquired entity, and

— acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Separate financial statements

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

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

3.7 Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

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

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Foreign currency translation (Continued)

(ii) Group companies

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

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

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.8 Land use rights

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

3.9 Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Property, plant and equipment (Continued)

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

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

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains — net" in the consolidated income statement.

3.10 Intangible assets

(i) Goodwill

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Intangible assets (Continued)

(ii) Customer relationship

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date.

(iii) Trademarks and technology know-how

Separately acquired trademarks and technology know-how at historical cost. Trademarks and technology know-how acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and technology know-how have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

(iv) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

(v) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

— Customer relationship	6 years
— Trademarks and technology know-how	15 years
— Computer software	5 years

3.11 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

3.12 Impairment of non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Non-current assets (or disposals groups) held-for-sale and discontinued operations

Non-current assets (or disposals groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposals groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 3.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposals, of the assets or disposals groups constituting the discontinued operation.

3.14 Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(i) Financial assets (Continued)

Equity instruments

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. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs 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. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group 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 receivables and contract assets 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 trade receivables and the economic environment.

For other financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 3 years past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the the accounting policy set out in 2(a)A(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(vii) Derecognition (Continued)

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

3.15 Financial Instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (Note 19 and 34(a)(i)).

(c) Available-for-sale financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

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

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

(ii) Impairment of financial assets

Asset carried at amortised cost

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(ii) Impairment of financial assets (Continued)

Asset carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Asset classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through the consolidated income statement.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Inventories

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

3.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

3.18 Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

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

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Income taxes (Continued)

(ii) Deferred income tax (Continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(iii) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

3.19 Employee benefits

(i) Pension obligations

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

(ii) Housing benefits

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

(iii) Bonus entitlements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Share based payments

(i) Equity-settled share-based payment transactions

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

— including any market performance conditions (for example, an entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

— including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

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

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

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

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

(ii) Share-based payment transactions among group entities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Provisions and contingent liabilities

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

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

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

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

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

3.22 Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

— provides all of the benefits received and consumed simultaneously by the customer;

— creates or enhances an asset that the customer controls as the Group performs; or

— does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception./Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Sales of advanced infusion set products

Sales of infusion set products are recognised when the customer takes possession of and accepts the products. This is usually taken as the time when the goods are delivered and the customer has accepted the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. There is generally only one performance obligation. Invoices are issued when the customer takes possession of and accepts the products and are usually payable within 180 days from the date of billing. No significant financial component existed. The transaction price is determined based on a stand-alone selling price specified in the contracts for advanced infusion set products.

In the comparative period, sales of medical devices and related products are recognised when the risk and reward of the goods has been transferred to the customer, which is usually at the date when a Group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. HKFRS 15 did not result in significant impact on the Group's accounting policies.

Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend income

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

3.23 Government grants

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense on the straight-line basis over the lease term.

3.25 Related parties

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of key management personnel of the Group or the Company's parent.

(ii) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3.26 Dividend distribution

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

3.27 Research and development

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

3.28 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Provision for taxes

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

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

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

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.10(i). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates.

According to the valuations results produced by the management of the Company based on the assumptions as disclosed in Note 16, management considered that no impairment charge was required against goodwill arising from acquisitions during the year.

In the opinion of the Company's directors, regarding Infusion Set Business had the gross profit margin been 2% lower with other assumptions held constant, or had the terminal growth rate been 2% lower with other assumptions held constant, or had the discount rate been 1% higher with other assumptions held constant, no impairment charge would be required against goodwill of the Group for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) Useful lives of property, plant and equipment

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

(d) Fair value of measurement

The Group's investment properties are measured at fair value.

The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures investment properties at fair value.

A more detailed information in relation to the fair value measurement of these assets is disclosed in Note 15.

5. SEGMENT REPORTING

(a) Business segments

The chief operating decision-makers have 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 year ended 31 December 2018, following the disposal of subsidiaries on 1 January 2018 (Note 24), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. SEGMENT REPORTING (Continued)

(a) Business segments (Continued)

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;

— 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.

Segment information for the year ended 31 December 2017 about these reportable segments is presented below:

	Continuing operations	Discontinued operations			
	Infusion Set Business RMB'000	Regenerative Medical Biomaterial Business RMB'000	Others RMB'000	Sub-total RMB'000	Total RMB'000
Revenue from external customers	286,913	280,979	5,546	286,525	573,438
Cost of sales	(112,386)	(44,450)	(4,641)	(49,091)	(161,477)
Gross profit	174,527	236,529	905	237,434	411,961
Selling expenses	(54,785)	(41,338)	(5,412)	(46,750)	(101,535)
Administrative expenses	(70,560)	(21,542)	(308)	(21,850)	(92,410)
Research and development expenses	(13,114)	(8,797)	(2,516)	(11,313)	(24,427)
Other gains — net	8,611	17,296	—	17,296	25,907
Segment profit	44,679	182,148	(7,331)	174,817	219,496
Finance income — net					384
Profit before income tax					219,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. SEGMENT REPORTING (Continued)

(a) Business segments (Continued)

Year ended 31 December 2017	Continuing operations	Discontinued operations				
	Infusion Set Business RMB'000	Regenerative Medical Biomaterial Business RMB'000	Others RMB'000	Sub-total RMB'000	Total RMB'000
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

Year ended 31 December 2017	Continuing operations	Discontinued operations			
	Infusion Set Business RMB'000	Regenerative Medical Biomaterial Business RMB'000	Others RMB'000	Sub-total RMB'000	Total RMB'000
Other information					
Amortisation of land use rights	1,054	332	8	340	1,394
Depreciation of property, plant and equipment	16,050	2,464	49	2,513	18,563
Amortisation of intangible assets	3,672	22,275	—	22,275	25,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. SEGMENT REPORTING (Continued)

(b) Disaggregation of revenue

In the following table, revenue is disaggregated by customer segments and timing of revenue recognition.

	2018 RMB'000	2017 RMB'000
Customer segments		
Revenue from hospitals	**58,736**	42,640
Revenue from medical products distributors	**252,077**	244,273
	310,813	286,913
Timing of revenue recognition		
Recognised at a point of time	**310,813**	286,913

As the primary geographical market solely represents the PRC, no disaggregation of revenue by primary geographical market is disclosed.

(c) Concentration of customers

Revenues of approximately RMB22,547,000 (2017: RMB28,956,000) are derived from a single external customer. These revenues are attributable to the Infusion Set Business segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. OTHER (LOSSES)/GAINS

	2018 RMB'000	2017 RMB'000
Government grants	**9,533**	8,512
Loss on disposal of property, plant and equipment	**(58)**	—
Loss on financial guarantee (Note (a))	**(26,186)**	—
Loss on deemed disposal of an associate (Note 17)	**(3,882)**	(22)
Others	**861**	121
Other net (losses)/gains	**(19,732)**	8,611

(a) The loss from financial guarantee mainly related to a joint guarantee liability of the Group's subsidiary, Xuzhou Yijia Medical Device Co., Ltd ("Xuzhou Yijia"). In 2016, a PRC intermediate people's court issued a civil judgement ("First Instance Judgement"), pursuant to which 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, 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% of interest rate per annum), after assessing the risk relating to the joint guarantee liability, the directors of the Company accrued a loss provision which included the principal and accumulated interest of the above loan as of 31 December 2018. At the date of approval of the consolidated financial statements, the Group is considering to make claims against the Joint Guarantor and the former owners of Xuzhou Yijia to claim such loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. PROFIT BEFORE TAXATION

	2018 RMB'000	2017 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments (Note 8)	3,410	3,547
Staff costs (excluding directors' emoluments):		
Wages, salaries and bonuses	74,394	67,844
Staff welfare	4,879	8,553
Social security costs	7,525	8,207
Housing fund	1,189	2,686
Total staff costs	87,987	87,290
Auditor's remuneration:		
— Audit services	1,200	2,280
— Non-audit services	253	200
Depreciation of property, plant and equipment (Note 14)	16,824	16,050
Amortisation of intangible assets (Note 16)	3,390	3,672
Amortisation of land use rights (Note 13)	1,045	1,054
Raw materials and consumable used	48,085	42,047
(Reversal of)/provision for impairment of receivables (Note 34(b))	(14,079)	20,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the six (2017: six) directors were as follows:

For the year ended 31 December 2018	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chief executive officer and executive director						
— Ms. Yue'e ZHANG	—	995	—	—	—	995
— Mr. JIANG Liwei	—	1,500	—	—	108	1,608
Non-executive director						
— Mr. LIN Junshan	—	300	—	—	—	300
Independent non-executive directors						
— Mr. WANG Xiaogang	—	169	—	—	—	169
— Mr. ZHANG Xingdong	—	169	—	—	—	169
— Mr. CHEN Geng	—	169	—	—	—	169
	—	3,302	—	—	108	3,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (Continued)

For the year ended 31 December 2017	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chief executive officer and executive director						
— Ms. Yue'e ZHANG	—	1,007	—	—	—	1,007
— Mr. JIANG Liwei	—	1,625	—	—	99	1,724
Non-executive director						
— Mr. LIN Junshan	—	300	—	—	—	300
Independent non-executive directors						
— Mr. WANG Xiaogang	—	172	—	—	—	172
— Mr. ZHANG Xingdong	—	172	—	—	—	172
— Mr. CHEN Geng	—	172	—	—	—	172
	—	3,448	—	—	99	3,547

During the year ended 31 December 2018 and 2017, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, none of the directors had waived any emoluments during the current or prior year.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2017: one) directors whose emoluments are reflected in the analysis shown in above. The emoluments payable to the remaining three (2017: four) individuals during the year are as follows:

	2018 RMB'000	2017 RMB'000
Basic salaries and allowances	**1,923**	6,034
Social security costs	**136**	199
Housing fund	**56**	60
	2,115	6,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (Continued)

Five highest paid individuals (Continued)

The emoluments were within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	**2**	—
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**—**	2
HK$2,000,001 to HK$2,500,000	**—**	1

The emoluments paid or payable to a member(s) of senior management were within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1

9. FINANCE (COST)/INCOME — NET

	2018 RMB'000	2017 RMB'000
Finance income		
Net foreign exchange gain	**(1,341)**	—
Interest income on short-term bank deposits	**(1,399)**	(1,774)
	(2,740)	(1,774)
Finance costs		
Interest on bank loan	**8,609**	—
Net foreign exchange loss	**—**	1,372
	8,609	1,372
Finance (cost)/income — net	**5,869**	(402)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. TAXATION

The amount of tax recognised in the consolidated statement of comprehensive income represents:

	2018 RMB'000	2017 RMB'000
Current tax		
PRC Income Tax for the year	**8,615**	14,409
Deferred income tax	**2,449**	(3,105)
Income tax expense	**11,064**	11,304

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

(a) Cayman Islands profits tax

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

(b) Hong Kong profits tax

Companies incorporated in Hong Kong are subject to the Hong Kong profits tax at a rate of 16.5% (2017: 16.5%).

(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% (2017: 25%).

Two subsidiaries (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 year (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. TAXATION (Continued)

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

	2018 RMB'000	2017 RMB'000
Profit before taxation from continuing operations	**126,575**	45,081
Tax calculated at statutory tax rates applicable to profits in the respective countries	**31,644**	11,270
Tax effect of:		
Effect of different tax rate in foreign jurisdictions	**—**	—
Preferential income tax rates applicable to subsidiaries	**(8,071)**	(5,343)
Additional deductible allowance for research and development expenses (note (i))	**(1,995)**	(968)
Deemed income for tax purpose	**—**	87
Tax effect of expenses not deductible for tax purpose	**7,188**	1,136
Tax effect of taxable temporary differences	**445**	—
Tax effect of share of profits from an associate	**(25,191)**	—
Tax effect of estimated tax losses not recognised	**7,027**	4,590
Adjustment in respect of prior years	**17**	532
Income tax expense for the year	**11,064**	11,304

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

11. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2018.

	2018 RMB'000	2017 RMB'000
Profit attributable to owners of the Company:		
Continuing operations	114,812	33,119
Discontinued operations	1,550,802	88,965
	1,665,614	122,084
Weighted average number of ordinary shares in issue (thousands)	1,568,771	1,576,456
Basic earnings per share:		
Continuing operations (RMB cents per share)	7.32	2.10
Discontinued operations (RMB cents per share)	98.85	5.64
	106.17	7.74

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. 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).

	2018 RMB'000	2017 RMB'000
Profit attributable to owners of the Company:		
Continuing operations	**114,812**	33,119
Discontinued operations	**1,550,802**	88,965
	1,665,614	122,084
Weighted average number of ordinary shares in issue (thousands)	**1,568,771**	1,576,456
Adjustments for:		
— Share options (thousands)	**61**	871
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,568,832**	1,577,327
Diluted earnings per share:		
Continuing operations (RMB cents per share)	**7.32**	2.10
Discontinued operations (RMB cents per share)	**98.85**	5.64
	106.17	7.74

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. 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:

	2018 RMB'000	2017 RMB'000
In the PRC, held on:		
Leases of between 47 to 50 years	**33,608**	47,118

	2018 RMB'000	2017 RMB'000
At beginning of year	**47,118**	60,937
Transfer to investment properties (Note 15)	**(12,465)**	—
Amortisation charge	**(1,045)**	(1,394)
Transfer to Disposal Group classified as held for sale	**—**	(12,425)
At end of year	**33,608**	47,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Leasehold improvements RMB'000	Furniture, fittings and office equipment RMB'000	Machinery and equipment RMB'000	Motor vehicle RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2017							
Cost	83,972	6,831	14,583	86,778	6,939	569,404	768,507
Accumulated depreciation	(26,639)	(2,057)	(10,343)	(38,179)	(4,053)	—	(81,271)
Net book amount	57,333	4,774	4,240	48,599	2,886	569,404	687,236
Year ended 31 December 2017							
Opening net book amount	57,333	4,774	4,240	48,599	2,886	569,404	687,236
Additions	1,770	—	966	1,900	355	203,077	208,068
Disposals	—	—	(25)	(266)	—	—	(291)
Transfer from construction in progress	126,836	—	2,472	1,195	—	(130,503)	—
Depreciation	(7,316)	(186)	(1,644)	(8,500)	(917)	—	(18,563)
Transfer to Disposal Group classified as held for sale	(12,833)	—	(975)	(4,001)	(476)	(20,345)	(38,630)
Closing net book amount	165,790	4,588	5,034	38,927	1,848	621,633	837,820
At 31 December 2017							
Cost	191,130	6,831	7,994	72,592	6,380	621,633	906,560
Accumulated depreciation	(25,340)	(2,243)	(2,960)	(33,665)	(4,532)	—	(68,740)
Net book amount	165,790	4,588	5,034	38,927	1,848	621,633	837,820
Year ended 31 December 2018							
Opening net book amount	**165,790**	**4,588**	**5,034**	**38,927**	**1,848**	**621,633**	**837,820**
Additions	**93**	**—**	**1,056**	**3,413**	**688**	**146,157**	**151,407**
Disposals	**(160)**	**—**	**—**	**(575)**	**(77)**	**—**	**(812)**
Transfer to investment properties (note 15)	**(262,243)**	**—**	**—**	**—**	**—**	**—**	**(262,243)**
Transfer from construction in progress	**684,434**	**1,140**	**51**	**12,955**	**—**	**(698,580)**	**—**
Depreciation	**(7,755)**	**(386)**	**(1,263)**	**(6,803)**	**(617)**	**—**	**(16,824)**
Closing net book amount	**580,159**	**5,342**	**4,878**	**47,917**	**1,842**	**69,210**	**709,348**
At 31 December 2018							
Cost	**613,254**	**7,971**	**9,016**	**87,573**	**5,689**	**69,210**	**792,713**
Accumulated depreciation	**(33,095)**	**(2,629)**	**(4,138)**	**(39,656)**	**(3,847)**	**—**	**(83,365)**
Net book amount	**580,159**	**5,342**	**4,878**	**47,917**	**1,842**	**69,210**	**709,348**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2017	—
Additions — transferred from property, plant and equipment and land use right (note 13 & 14)	278,143
At 31 December 2018	278,143

On 31 December 2018, the Group transferred certain of its property interest held under operating leases with carrying value of approximately RMB262,243,000 from property, plant and equipment, and RMB12,465,000 from land use rights to investment properties. The property interest with the land use right were revalued to RMB278,143,000 as initial cost value while the resulting revaluation surplus of approximately RMB3,435,000 at the date of transfer was credited to the revaluation reserves (note 26) in equity.

The fair value of the Group's investment properties at 31 December 2018 have been arrived at on market value basis carried out by Beijing Guorongxinghua Assets Appraisal Co., Ltd., an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value was determined based on the income approach, where capitalising the estimated net income derived from the investment properties with reference to the lease agreement and taking into account the future growth potential. The discount rate was determined by reference to weighted average cost of capital of the listed companies with similar business portfolio. Key assumptions used in calculating the recoverable amount are as follows:

	2018
Growth rate of revenue	4.0%
Discount rate	7.3%

The fair value of the investment property at 31 December 2018 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. INTANGIBLE ASSETS

	Goodwill	Computer software	Trademarks	Technology know-how	Customer relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017						
Cost	533,983	858	34,711	343,237	5,012	917,801
Accumulated amortisation	—	(395)	(8,140)	(63,152)	(4,733)	(76,420)
Net book amount	533,983	463	26,571	280,085	279	841,381
Year ended 31 December 2017						
Opening net book amount	533,983	463	26,571	280,085	279	841,381
Amortisation charge	—	(180)	(2,314)	(23,174)	(279)	(25,947)
Transfer to Disposal Group classified as held for sale	(373,229)	—	(17,728)	(236,666)	—	(627,623)
Closing net book amount	160,754	283	6,529	20,245	—	187,811
At 31 December 2017						
Cost	160,754	858	11,755	36,440	5,012	214,819
Accumulated amortisation	—	(575)	(5,226)	(16,195)	(5,012)	(27,008)
Net book amount	160,754	283	6,529	20,245	—	187,811
Year ended 31 December 2018						
Opening net book amount	**160,754**	**283**	**6,529**	**20,245**	**—**	**187,811**
Addition	**—**	**16**	**—**	**—**	**—**	**16**
Amortisation charge	**—**	**(177)**	**(784)**	**(2,429)**	**—**	**(3,390)**
Closing net book amount	**160,754**	**122**	**5,745**	**17,816**	**—**	**184,437**
At 31 December 2018						
Cost	**160,754**	**874**	**11,755**	**36,440**	**5,012**	**214,835**
Accumulated amortisation	**—**	**(752)**	**(6,010)**	**(18,624)**	**(5,012)**	**(30,398)**
Net book amount	**160,754**	**122**	**5,745**	**17,816**	**—**	**184,437**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Goodwill was acquired through business combinations and it is related to the Infusion Set Business. Goodwill is monitored by the management at the operating segment level.

The recoverable amounts of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.5% (2017: 2.5%), which does not exceed the long-term growth rate for the garment production industry in the People's republic of China.

	Infusion Set Business	
	2018	2017
Gross profit margin	**62.8%**	63.0%
Growth rate	**2.5%**	2.5%
Discount rate	**17.6%**	17.6%

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

Management determined budgeted gross profit margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the operating segment.

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

17. INTEREST IN AN ASSOCIATE

As at 31 December 2018, the Group held 16.06% 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 consolidated financial statements using equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. INTEREST IN AN ASSOCIATE (Continued)

During the year ended 31 December 2018, the equity interest held by the Group in CBPO was diluted from 16.66% to 16.06% due to exercise of share options by grantee and issurance of share capital by CBPO. The dilution of interest resulted in a deemed disposal of interest in an associate and a loss of RMB3,882,000 is recognised in "Other (losses)/ gains-Net" in the consolidated statement of comprehensive income.

	2018 RMB'000	2017 RMB'000
Share of net assets	**2,256,147**	—
Goodwill	**1,312,759**	—
	3,568,906	—

Particulars of the Group's interest in an associate is as follows:

Name of company	Form of business structure	Place of incorporation and operations	Percentage of ownership interest/ voting rights/ profit share	Principal activity
China Biologic Products Holdings, Inc.	Corporation	PRC	16.06%	Research, development, manufacturing and sales of human plasma-based biopharmaceutical products

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For the year ended 31 December 2018

17. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of the associate, adjusted for any difference in accounting policies:

	2018 RMB'000
As at 31 December	
Current assets	9,306,410
Non-current assets	6,820,261
Current liabilities	(846,061)
Non-current liabilities	(291,197)
Net assets	14,989,413
Net assets attributable to owners of the equity	14,189,709
Group's share of the net assets of the associate	2,256,147
Year ended 31 December	
Revenues	3,089,525
Profit or loss for the year	745,830
Other comprehensive income	(420,908)
Total comprehensive income	324,922
Profit or loss for the year attributable to owners of the equity	613,080
Other comprehensive income attributable to owners of the equity	(375,609)
Total comprehensive income attributable to owners of the equity	237,471
Dividends received from the associate	—

18. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	15,750	24,271
Work in progress	10,197	8,273
Finished goods	14,418	13,263
	40,365	45,807

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19. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables (i)	**203,802**	191,157
Bills receivables (ii)	**1,650**	2,200
Accrued income	**—**	—
Prepayments and deposits	**8,679**	53,778
Receivables from disposal of Orthopedic Implant Business	**1,966**	4,466
Value added tax recoverable	**16,750**	15,723
Other receivables	**2,215**	6,206
Trade receivables — non-current	**—**	(30,200)
Trade and other receivables — current portion	**235,062**	243,330

(i) Included in trade and other receivables are trade receivables (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	2018 RMB'000	2017 RMB'000
Up to 3 months	**42,282**	49,356
3 months to 6 months	**28,733**	32,574
6 months to 12 months	**27,187**	43,040
1 year to 2 years	**89,462**	57,494
2 years to 3 years	**16,138**	8,693
	203,802	191,157

The Group and the Company recognised impairment loss based on the accounting policy stated in Note 3.14(ii).

Trade and bills receivables are due within 180 days from the date of billing. The Group does not hold any collateral as security. Further details on the group's credit policy and credit risk arising from trade and bills receivables are set out in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. TRADE AND OTHER RECEIVABLES (Continued)

(i) (Continued)

Non-current portion of the trade receivables

During the year ended 31 December 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.

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

20. TRADE AND OTHER PAYABLES

	2018 **RMB'000**	2017 RMB'000
Trade payables	**15,475**	15,782
Salary and staff welfare payables	**21,116**	21,299
Advances from customers	**11,370**	4,283
Deposits	**1,515**	823
Payables for purchase of land use rights	**4,277**	4,277
Value added tax and other taxes	**2,903**	1,008
Professional service fee	**4,036**	1,968
Loss from financial guarantee (Note 6(a))	**26,186**	—
Other payables	**7,763**	5,386
	94,641	54,826

As at 31 December 2018 and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. TRADE AND OTHER PAYABLES (Continued)

Included in trade and other payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2018 RMB'000	2017 RMB'000
Up to 6 months	12,981	14,114
6 months to 12 months	1,383	536
Over 1 year	442	854
2 years to 3 years	621	259
Over 3 years	48	19
	15,475	15,782

21. BANK BORROWING

	2018 RMB'000	2017 RMB'000
Current		
Repayable within one year	567,724	—
	567,724	—

On 20 September, 2018, the Company, as borrower, entered into a loan agreement with Morgan Stanley Bank, N.A. (the "Lender") (the "Loan Agreement"), pursuant to which the Lender agreed to make a loan to the Company in an amount of up to US$82,720,000 (equivalent to RMB567,724,000) (the "Loan") for a term of one year. The Loan is extendable for one year upon the mutual agreement between the Company and the Lender. Pursuant to the Loan Agreement, it will be a mandatory prepayment event if Mrs. Liu Yufeng as the controlling shareholder of the Company, together with any relative of Mrs. Liu Yufeng or any entity through which Mrs. Liu Yufeng holds the shares of the Company, ceases to beneficially own, directly or indirectly through any entity, more than 30% of the voting power in respect of all such interests or equity entitled to vote generally in elections with respect to the management of the Company. As at the date of this report, Mrs. Liu Yufeng, directly or indirectly, owns approximately 36.65% of the issued share capital of the Company and is the controlling shareholder of the Company.

The loan is repayable on 20 September 2019 and the interest is charged at LIBOR plus 2.5%. per annum. The Loan is secured by 3,162,854 shares of CBPO.

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22. DEFERRED TAX ASSETS AND LIABILITIES

Details of the deferred tax liabilities and assets recognised and movements during the current and prior years:

Deferred tax assets:

	Provision for impairment of receivables RMB'000	Write-down of inventories RMB'000	Depreciation allowance RMB'000	Fair value Surplus on acquisition of subsidiaries RMB'000	Fair value surplus arising from revaluation of PPE RMB'000	Provision for sales rebate RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	163	1,409	—	(53,373)	—	1,246	1,474	(49,081)
Charge (credit) to profit or loss for the year	3,756	19	—	3,781	—	530	(20,154)	(12,068)
Transfer to disposal group classified as held for sales	(33)	(169)	—	40,102	—	(1,776)	(277)	37,847
At 31 December 2017	3,886	1,259	—	(9,490)	—	—	(18,957)	(23,302)
Initial application of HKFRS 9	265	—	—	—	—	—	—	265
Disposal of subsidiaries	—	—	—	—	—	—	19,224	19,224
Charge (credit) to profit or loss for the year	(2,719)	(504)	10	716	—	—	50	(2,447)
Charge (credit) to other comprehensive income for the year	—	—	—	—	(859)	—	—	(859)
At 31 December 2018	**1,432**	**755**	**10**	**(8,774)**	**(859)**	**—**	**317**	**(7,119)**

At 31 December 2018, the Group had estimated unutilised tax losses of approximately RMB22,708,000 (2017: RMB36,464,000) available for offsetting against future assessable profits arising in the PRC. No deferred tax asset has been recognised due to the unpredictability of future profit streams. These tax losses will expire in 2019 to 2023.

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

	2018 RMB'000	2017 RMB'000
Non-current portion		
Deferred tax assets	**2,514**	5,412
Deferred tax liabilities	**(9,633)**	(28,714)
	(7,119)	(23,302)

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23. SHARE CAPITAL

	Number of ordinary shares	Share capital RMB'000
Issued and fully paid:		
Balance at 1 January 2017	1,590,317,404	979
Proceeds from employee share option exercised (a)	2,149,682	—
Buy-back and cancellation of shares (b)	(23,835,000)	(15)
Balance at 31 December 2017	1,568,632,086	964
Proceeds from employee share option exercised (a)	614,012	1
Balance at 31 December 2018	1,569,246,098	965

Notes:

(a) Options exercised during the year ended 31 December 2018 resulted in 614,012 shares (2017: 2,149,682) being issued, total proceeds amounted to HK$438,000 (equivalent to RMB384,000) (2017: HK$1,572,000 (equivalent to RMB1,357,000)) of which HK$370,000 (equivalent to RMB324,000) (2017: HK$442,000 (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 HK$1.46 per share (2017: HK$1.72 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.

24. DISPOSAL OF SUBSIDIARIES

(a) On 12 October 2017, the Company and CBPO (detail information is set out in Note 17) 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 the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

24. DISPOSAL OF SUBSIDIARIES (Continued)

(a) (Continued)

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

	RMB'000
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)

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 consolidated statement of other comprehensive income is calculated as follows:

	RMB'000
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	(228,276)
Gain on disposal of subsidiaries, net of tax	1,549,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

24. DISPOSAL OF SUBSIDIARIES (Continued)

(b) On 12 November 2018, the Company and a third party vendor entered into a share transfer agreement (the "Share Transfer Agreement"). Pursuant to the Share Transfer Agreement, the Company agreed to disposal of the entire issued share capital of Beijing Jishang Biotechnology Co,. Ltd ("Beijing Jishang") for a consideration of RMB10,000,000.

The assets and liabilities of the Beijing Jishang at the date of disposal are set out below:

	RMB'000
Assets classified as held for sale	
Financial assets at fair value through profit or loss	5,900
Trade and other receivables	1,966
Inventories	441
Amounts due from the remaining group	8
Cash and cash equivalents	957
Trade and other payables	(491)
Amounts due to the remaining group	(96)
Net assets disposed of	8,685

The gain arising from the disposal shown in the consolidated statement of comprehensive income is calculated as follows:

	2018 RMB'000
Consideration	10,000
Carrying amount of net assets disposed of	(8,685)
Gain on disposal of subsidiary	1,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25. DISCONTINUED OPERATIONS

Analysis of the result of the discontinued operations for the year ended 31 December 2017 is as follows:

	2017 RMB'000
Revenue	286,525
Cost of sales	(49,091)
Gross profit	237,434
Selling expenses	(46,750)
Administrative expenses	(21,850)
Research and development expenses	(11,313)
Other gains, net	17,296
Operating profit	174,817
Finance income — net	(18)
Profit before income tax	174,799
Income tax expenses	(57,234)
Profit for the year from discontinued operations	117,565
Profit for the year from discontinued operations attributable to:	
Owners of the Company	88,965
Non-controlling interests	28,600
Profit for the year from discontinued operations	117,565

Analysis of cash flow of the discontinued operations for the year ended 31 December 2017 is as follows:

	2017 RMB'000
Operating cash flows	166,304
Investing cash flows	(2,173)
Financing cash flows	388,324
Total cash flows	552,455

26. OTHER RESERVES

	Merger reserve Note (i) RMB'000	Translation reserve RMB'000	Capital reserve Note (ii)(iii) RMB'000	Share option reserve RMB'000	Revaluation reserves RMB'000	Total RMB'000
The Group						
At 1 January 2017	63,964	6,730	(1,703)	2,363	—	71,354
Currency translation differences	—	(42)	—	—	—	(42)
Transfer to share premium upon exercise of share options	—	—	—	(2,012)	—	(2,012)
Changes in ownership interest in subsidiaries without change of control	—	—	332,603	—	—	332,603
At 31 December 2017	63,964	6,688	330,900	351	—	401,903
Currency translation differences	—	(2,890)	—	—	—	(2,890)
Share of other comprehensive income of an associate	—	80,741	—	—	—	80,741
Exchange differences reclassified to profit or loss upon deemed disposal of an associate	—	(2,150)	—	—	—	(2,150)
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	—	(8,342)	—	—	—	(8,342)
Gain on revaluation of investment properties	—	—	—	—	3,435	3,435
Deferred tax liability on recognition revaluation of properties	—	—	—	—	(859)	(859)
	—	67,359	—	—	2,576	69,935
Exercise of employee share option	—	—	—	(236)	—	(236)
At 31 December 2018	**63,964**	**74,047**	**330,900**	**115**	**2,576**	**471,602**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

26. OTHER RESERVES (Continued)

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

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

(iii) On 27 February 2017, Xinyu Yongshuo Management and Consulting LLP ("Xinyu Yongshuo"), an independent third party, subscribed 11,250,000 new shares issued by Tianxinfu, an indirectly wholly-owned subsidiary of the Company, at a cash consideration of RMB500 million which accounts for 20% equity interest of Tianxinfu.

In August 2017, Tianxinfu dividends RMB96,500,000, of which RMB12,658,000 was attributable to Xinyu Yongshuo.

27. COMMITMENTS

(a) Operating lease commitments — the Group as lessee

	2018 RMB'000	2017 RMB'000
Minimum lease payments paid during the year under operating leases	**1,614**	2,162

At 31 December 2018, the Group had outstanding minimum commitments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**448**	1,127
In the second to fifth years inclusive	**129**	81
	577	1,208

Operating lease payments represent rentals payable by the Group for its office premises and manufacturing sites. The leases were negotiated for a term of one to five years at fixed rentals.

(b) Capital commitments

	2018 RMB'000	2017 RMB'000
Commitments for the acquisition of:		
Property, plant and equipment	**8,111**	15,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. SHARE BASED PAYMENTS

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

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

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

The following share options were outstanding under the scheme during the year:

	2018	2017
Outstanding at 1 January	**732,719**	18,216,786
Granted during the year	**—**	—
Forfeited during the year	**(236)**	(15,334,385)
Exercised during the year	**(614,012)**	(2,149,682)
Outstanding at 31 December	**118,471**	732,719

The exercise price of options outstanding at the end of the year was RMB0.626 (2017: RMB0.626) and their weighted average remaining contractual life was 5 years (2017: 6 years).

Of the total number of options outstanding at the end of the year, 118,471 (2017: 732,719) had vested and were exercisable at the end of the year.

The weighted average share price at the date of exercise of options exercised during the year was HK$1.46 (2017: HK$1.72).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

During the year, the Group had the following material related party transactions:

The remuneration of directors and other members of key management of the Group during the year was as follows:

	2018 RMB'000	2017 RMB'000
Short-term benefits	5,001	4,945
Post-employment benefits	319	241
	5,320	5,186

The remuneration of directors is determined by the remuneration committee having regard to the level and composition of pay and the general market conditions in the respective countries and businesses.

(b) Balances with related parties

In 2017, the Group has an amount due from/(to) the Disposal Group which mainly represents the unsettled outstanding balances of intra-group reorganization. Upon the share exchange transaction as described in Note 24, the balances became an amount due from/(to) an associate, as the Disposal Group became subsidiaries of the associate.

The amount is unsecured, non-interest bearing and repayable on demand.

30. NOTES SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Bank borrowing RMB'000
At 1 January 2018	—
New borrowing	567,724
At 31 December 2018	567,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the financial assets and financial liabilities recognised at the end of reporting period were categorised as follows:

	2018 RMB'000	2017 RMB'000
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	**352,844**	581,533
Financial liabilities		
Financial liabilities at amortised cost	**654,928**	56,566

The fair values of financial assets and financial liabilities are determined as follows:

— the fair value of investments held for trading with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price; and

— the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

HKFRS 13 requires disclosures for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

All of the Group and the Company's financial assets and financial liabilities are measured at amortised cost as at 31 December 2017 and 2018. The directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2018 were as follows:

Company name	Place of incorporation and operation/kind of legal entity	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Effective equity interests held 31 December 2018	2017	Principal activities
Directly owned:						
PWM Investment Holdings Company Limited	Hong Kong/Limited liability company	30 October 2009	211,447,750 ordinary shares of Hong Kong dollar ("HK$") 1 each	**100%**	100%	Investment holding
Health Access Limited ("Health Access")	Hong Kong/Limited liability company	29 June 2011	480,026,001 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Indirectly owned:						
PW Medtech (Beijing) Limited (普華和順(北京)醫療科技有限公司 "PW Medtech (Beijing)")	PRC/Limited liability company	10 August 2000	RMB154,300,000	**100%**	100%	Investment holding
Jiangsu PW Medtech Medical Device Co., Ltd. (江蘇普華和順醫療器械有限公司)	PRC/Limited liability company	10 April 2014	RMB10,000,000	**100%**	100%	Infusion Set Business
Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司 "Fert Technology")	PRC/Limited liability company	23 September 1997	RMB126,000,000	**100%**	100%	Infusion Set Business
Xuzhou Yijia Medical Device Co.,Ltd. (徐州一佳醫療器械有限公司 "Xuzhou Yijia")	PRC/Limited liability company	30 June 2003	RMB7,000,000	**100%**	100%	Infusion Set Business
Beijing Zhong Jie Tian Gong Medtech Co., Ltd. (北京中傑天工醫療科技有限公司)	PRC/Limited liability company	22 September 2011	RMB10,000,000	**100%**	100%	Infusion Set Business
Shandong Fert Technology Co., Ltd. (山東伏爾特技術有限公司)	PRC/Limited liability company	8 January 2013	RMB10,000,000	**100%**	100%	Infusion Set Business
Shandong Fert Medical Device Co., Ltd. (山東伏爾特醫療器械有限公司)	PRC/Limited liability company	28 July 2015	RMB20,000,000	**100%**	100%	Infusion Set Business
Beijing Fert Medtech Co., Ltd. (北京伏爾特醫療科技有限公司)	PRC/Limited liability company	18 October 2016	RMB30,000,000	**100%**	100%	Infusion Set Business

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

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

Company name	Place of incorporation and operation/kind of legal entity	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Effective equity interests held 31 December 2018	2017	Principal activities
Subsidiaries under the Disposal Group (i):						
Health Forward Holdings Limited	Hong Kong/Limited liability company	21 January 2010	10,000 ordinary shares of HK$1 each and 10,000 ordinary shares of US$12,920.31 each	–	100%	Investment holding
Tianxinfu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有限公司 "Tianxinfu")	PRC/Limited liability company	18 January 2002	RMB45,000,000	–	80%	Regenerative Medical Biomaterial Business
Beijing Lima-TXF Medical Equipment Co., Ltd. (北京麗瑪天新福醫療器械有限責任公司)	PRC/Limited liability company	10 November 2005	EURO3,200,000/ EURO1,518,500	–	60%	Regenerative Medical Biomaterial Business
Disposed subsidiary (ii):						
Beijing Jishang Biotechnology Co., Ltd (北京即上生物科技有限公司) (note)	PRC/Limited liability company	20 March 2017	RMB5,000,000	–	100%	Others

Note: The company was disposed on 12 November 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Investments in and loans to subsidiaries		**588,027**	1,440,547
Investment in an associate		**3,393,431**	—
		3,981,458	1,440,547
Current assets			
Amounts due from subsidiaries		**187,251**	77,410
Amount due from an associate		**27,721**	—
Trade and other receivables		**3,345**	1,354
Cash and cash equivalents		**38,649**	27,721
		256,966	106,485
Total Assets		**4,238,424**	1,547,032
Current liabilities			
Amounts due to subsidiaries		**511,576**	106,400
Amount due to an associate		**224**	—
Bank loan		**567,724**	—
Trade and other payables		**3,412**	965
		1,082,936	107,365
NET ASSETS		**3,155,488**	1,439,667
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**965**	964
Share premium		**1,492,937**	1,492,318
Other reserves		**17,583**	9,376
Retained earnings/(accumulated losses)		**1,644,003**	(62,991)
TOTAL EQUITY		**3,155,488**	1,439,667

The statement of financial position of the Company was approved by the Board of Director on 28 March 2019 and was signed on its behalf by:

Yue'e Zhang
DIRECTOR

Jiang Liwei
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

(b) Reserves movement of the Company

	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2017	1,528,311	(8,890)	13,724	(48,596)	1,484,549
Loss and total comprehensive loss for the year	—	—	—	(14,395)	(14,395)
Currency translation differences	—	—	(2,336)	—	(2,336)
Transfer to share premium upon exercise of share options	—	—	(2,012)	—	(2,012)
Buy-back and cancellation of shares	(39,362)	8,890	—	—	(30,472)
Proceeds from employee share option exercised	1,357	—	—	—	1,357
Transfer from other reserves upon exercise of share option	2,012	—	—	—	2,012
At 31 December 2017	1,492,318	—	9,376	(62,991)	1,438,703
Profit and total comprehensive income for the year	—	—	—	1,706,994	1,706,994
Exercise of employee share option	619	—	(236)	—	383
Currency translation differences	—	—	8,443	—	8,443
At 31 December 2018	**1,492,937**	**—**	**17,583**	**1,644,003**	**3,154,523**

No dividend was paid or proposed during the year, nor has any dividend been proposed since 31 December 2017 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Market risk

(i) Foreign exchange risk

The Group's major operational activities are carried out in the PRC and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to the Hong Kong dollar ("HK$") and the United States dollar ("US$"). The Group does not hedge against any fluctuation in foreign currency during the year. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in the future.

As at December 31, 2018, if HK$ and US$ had strengthened/weakened by 3% against RMB (2017: 3%), with all other variables held constant, which were considered reasonably possible at each of the dates by management, the profit for the year would have been approximately RMB13,591,000 (2017: RMB606,000) lower/higher, mainly as a result of foreign exchange differences on translation of balances of cash and cash equivalents and bank loan denominated as below.

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents — denominated in		
RMB	**73,719**	340,504
HK$	**23,945**	22,953
US$	**1,300**	802
Total	**98,964**	364,259
Bank loan — denominated in		
US$	**567,724**	—

(ii) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises primarily from bank borrowing (note 21). Borrowing issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained profits by approximately RMB474,000 (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

(iii) Price risk

The Group exposes to commodity price risk, mainly due to the fluctuations in prices of plastic, which are the key raw materials to the Group's products of its Infusion Set Business. During the year, the management considers the price risk exposure is not material, and the Group has the flexibility to pass the increases in raw material costs to the Group's customers.

(b) Credit risk

The carrying amounts of cash and cash equivalents and trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are state-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.

For trade and other receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Most of these balances are due from stated-owned enterprises or major customers with good repayment history. There was no material default of the balances in the past.

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicated significantly different loss patterns for different customer segments, the grouping for trade receivables for the assessment of ECLs is by customer segments, while Group D represents three credit-impaired customers with significant risk of default.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	1.73	1.19	0.03	7.31
Gross carrying amount	57,173	46,227	330	109,622
Loss allowance	992	550	—	8,008

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

Prior to 1 January 2018, an impairment loss was recognised only when there was indications that the trade receivables or a group of trade receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments (see note 3.14(ii)). At 31 December 2017, trade receivables of HK$139,926,000 was determined to be impaired. The ageing analysis of trade receivables were impaired as at 31 December 2017 was as follows:

	2017 RMB'000
Up to 3 months	17,228
3 months to 6 months	15,992
6 months to 12 months	30,535
1 year to 2 years	71,645
2 years to 3 years	4,526
	139,926

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 RMB'000	2017 RMB'000
Balance at December 31 under HKAS 39	**21,861**	866
Impact of initial application of HKFRS 9 (Note 2(a))	**1,768**	—
Adjusted balance at January 1	**23,629**	866
Amounts written off during the year	**—**	—
(Reversal of)/impairment losses recognised during the year	**(14,079)**	20,995
Balance at December 31	**9,550**	21,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk

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

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

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
The Group			
2018			
Non-derivatives:			
Amounts due to associate	**27,952**	**27,952**	**27,952**
Trade and other payables	**59,252**	**59,252**	**59,252**
Bank borrowing	**567,724**	**567,724**	**567,724**
	654,928	**654,928**	**654,928**
2017			
Non-derivatives:			
Amounts due to Disposal Group	28,330	28,330	28,330
Trade and other payables	28,236	28,236	28,236
	56,566	56,566	56,566

Capital risk management

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. As at 31 December 2018, the gearing ratio of the Group was approximately 11.22% (2017: nil). This ratio is calculated as bank borrowing divided by total capital. Total borrowing is current bank borrowing as shown in the consolidated statement of financial position. Total capital is calculated as "total equity" as shown in the consolidated statement of financial position plus bank borrowing.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2019.

PW MEDTECH GROUP LIMITED

普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

Level 54, Hopewell Centre
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Hong Kong