

PW MEDTECH GROUP LIMITED
普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01358.HK)

Interim Report
2015



A True Pioneer In The Chinese Medical Device Industry

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

Contents

- 2** Corporate Information
- 3** Management Discussion and Analysis
- 6** Financial Review
- 10** Supplementary Information
- 17** Report on Review of Interim Financial Information
- 18** Condensed Consolidated Balance Sheet
- 20** Condensed Consolidated Income Statement
- 21** Condensed Consolidated Statement of Comprehensive Income
- 22** Condensed Consolidated Statement of Changes in Equity
- 23** Condensed Consolidated Statement of Cash Flows
- 24** Notes to the Condensed Consolidated Financial Information

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Yue'e ZHANG (*Chairman*)

Mr. JIANG Liwei (*CEO*)

Non-executive Directors

Mr. LIN Junshan

Mr. FANG Min (resigned on August 25, 2015)

Independent Non-executive Directors

Mr. ZHANG Xingdong

Mr. CHEN Geng

Mr. WANG Xiaogang

COMPANY SECRETARY

Ms. SO Yee Kwan, ACS, ACIS

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. JIANG Liwei

Ms. SO Yee Kwan

AUDIT COMMITTEE

Mr. WANG Xiaogang (*Chairman*)

Mr. LIN Junshan

Mr. CHEN Geng

REMUNERATION COMMITTEE

Mr. CHEN Geng (*Chairman*)

Mr. ZHANG Xingdong

Mr. FANG Min (resigned on August 25, 2015)

Mr. LIN Junshan (appointed on August 25, 2015)

NOMINATION COMMITTEE

Ms. Yue'e ZHANG (*Chairman*)

Mr. WANG Xiaogang

Mr. ZHANG Xingdong

AUDITOR

PricewaterhouseCoopers

22/F, Prince's Building

Central, Hong Kong

REGISTERED OFFICE

The Grand Pavilion Commercial Centre

Oleander Way, 802 West Bay Road

P.O. Box 32052

Grand Cayman KY1-1208

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1002-1003, Block C, Focus Square

No. 6 Futong East Avenue

Wangjing, Chaoyang District

Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

China CITIC Bank

Wanliu Branch

5-32, Xing Biao Garden

Wanliu Central Road

Haidian District

Beijing, PRC

Agricultural Bank of China

Badachu Branch

1 Shixing Road

Shijingshan District

Beijing, PRC

HONG KONG LEGAL ADVISOR

Wilson Sonsini Goodrich & Rosati

Suite 1509, 15/F, Jardine House

1 Connaught Place, Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.

Clifton House, 75 Fort Street

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE AND BOARD LOT

Stock code: 1358

Board lot: 1,000

WEBSITE

www.pwmedtech.com

Management Discussion and Analysis

Market Overview and Business Review

The medical device market of the People's Republic of China (“**PRC**” or “**China**”) continues to see promising growth prospects from the continuous aging population, steady economic growth, changing lifestyle, expansive nationwide healthcare insurance and urbanization in China. Meanwhile, the industry's growth also encountered headwind from the tightened cost control of medical insurance and policy uncertainties (i.e. hospital reform policies and tendering trends) during the first half of year 2015.

PW Medtech Group Limited (the “**Company**” and, together with its subsidiaries, collectively the “**Group**”) is a leading medical device company focusing on fast-growing and high-margin segments of China's medical device industry. As one of the leading domestic companies in the development, manufacturing and sales of (i) regenerative medical biomaterial products (the “**Regenerative Medical Biomaterial Business**”), (ii) advanced infusion set products (the “**Infusion Set Business**”) and (iii) orthopedic implant products (the “**Orthopedic Implant Business**”) in China, the Company is well aware of the opportunities and challenges presented by its own competitive strengths and distinctive characteristics. During the six months ended June 30, 2015 (the “**Period**”), the Group has further reinforced the integration of the new business and leveraged the resources of each business segment within the Group. In addition, the Group has further expanded its product portfolio and strengthened its innovation and research and development (“**R&D**”) capabilities and extended its distribution network during the Period. With the successful integration of the new business, the Group has continued to increase its revenue, profit and profitability.

During the Period, the Group's revenue, gross profit and profit for the period were RMB325.4 million, RMB246.5 million and RMB115.2 million, representing an increase of 21.3%, 29.3% and 37.0% over the corresponding period last year, respectively. The overall gross profit margin during the Period was 75.8%, increased by 4.7 percentage points comparing to 71.1% for the corresponding period last year.

During the Period, revenue of the Regenerative Medical Biomaterial Business, the Infusion Set Business and the Orthopedic Implant Business contributed approximately 31.5%, 46.3% and 22.2% to the Group's revenue, respectively.

Outlook and Future Business Strategies

Expansion of Product Portfolio

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

For the Regenerative Medical Biomaterial Business, the Group continues to work with the top Class III hospitals to upgrade and develop products with new applications, functions and features, so as to expand the Group's regenerative medical biomaterial products into more medical applications. In the first half of 2015, the Group successfully launched the anti-adhesion membrane for tendon and ligament, which has high market potential in the field of hand surgery, especially for trauma surgeries and sport injury treatments. Going forward, the Group will continue to accelerate the product registration process for oral cavity membrane and the second generation of artificial dura mater. The clinical trials of the oral cavity membrane and the second generation artificial dura mater started in August 2015. The oral cavity membrane is expected to expand the application of the Group's regenerative medical biomaterial products into the fields of dental surgery and oral surgery. The second generation of artificial dura mater is expected to further reinforce our products' leadership in the fields of craniofacial surgery and neurosurgery.

To provide better services and a total solution in the neurosurgery area, in the second half of 2015, we will also start the distribution of certain carefully selected third party neurosurgery consumables with unique features or advanced technologies.

Management Discussion and Analysis (continued)

With regard to the Infusion Set Business, the Group has been developing a series of new products so as to provide safer and more accountable devices for infusion therapy. On one hand, we are working on adding a series of new features and functions to our existing comprehensive non-PVC-based (“PVC” — polyvinyl chloride, a type of plastic material) infusion sets and precision filter infusion sets to enhance safety as well as nurses’ and patients’ usage experiences. On the other hand, we have also been accelerating the registration and launch of other brand new products other than infusion sets, so to provide a more comprehensive product portfolio. This will strengthen our leading position in the market of advanced infusion medical devices.

The Orthopedic Implant Business has seen progress with the Group’s continued research on perfecting the three main product categories: trauma products, spine products and joint products. The Group continues to work on both the initial introduction of brand new products and the improvement of existing products. For trauma implants, we continue to further improve the bridge-link combined fixation system, of which the initial generation products were commercially launched in 2012. The Group also continues to devise new ideas and develop advanced materials to satisfy varied patient demands for the spine, hip and knee implants.

Emphasis on Innovation and R&D

As a leader in development of innovative products, the Group currently possesses an experienced R&D team comprising approximately 100 members, which cooperates closely with surgeons, hospitals, university research centers and other research institutions. As at June 30, 2015, the Group has obtained 74 patents, including 14 in the area of regenerative medical biomaterial products, 36 for advanced infusion set products and 24 for orthopedic implant products, and has applied for 49 new patents. The Group will continue to invest in product innovation and R&D to maintain and reinforce its leading position in the industry.

Expansion of Distribution Network

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

In relation to the Regenerative Medical Biomaterial Business and Infusion Set Business, the Group continues to prioritize Class III hospitals in larger-than-average cities in more developed regions of China, and then penetrate into smaller hospitals and cities.

From the end of last year, certain restructuring measures were implemented for the Infusion Set Business sales team so as to improve overall sales force efficiency. We expect the transition to continue for the rest of the year 2015.

For the Orthopedic Implant Business, the Group continues to focus on expanding its business with Class II hospitals in the second and third tier cities. The Group has also started to implement unified management in the sales force of trauma, spine and joint businesses to achieve continuous synergy and improve their operational efficiency and profitability.

Strategic Acquisitions

Despite the challenges caused by valuation inflation in the medical device industry in mainland China, the Group continues to seek fast-growing, high-margin and high-potential opportunities within or outside our current business segments. Meanwhile, alternative targets, such as opportunities that lie in overseas intellectual properties, are also considered.

Management Discussion and Analysis (continued)

Increase of Production Capacity

In view of the growing potential of the medical device market in China, the Group has not changed the expansion plan for its production capacity. In the next 3 to 5 years, the Group will continue to invest in the product capacity of its current three business segments.

Events after the Reporting Period

The Group has no significant events after the reporting period up to the date of this report.

Treasury Management and Funding Policy

The Group's treasury management and funding policy is designed to maintain a comprehensively diversified and balanced financial structure to minimize the Group's financial risks. The treasury function of the Group operates as a centralized service for managing the Group's funding needs and monitoring financial risks, such as those relating to interest and foreign exchange risks.

Funding is raised from internal resources and also external markets to meet funding requirements of the operating subsidiaries of the Company.

Financial Review

Overview

	For the six months ended		Change %
	2015	2014	
	RMB'000	RMB'000	
	(except for	(except for	
	EPS)	EPS)	
Revenue	325,407	268,179	21.3%
Gross Profit	246,502	190,672	29.3%
Earnings before interests and tax	143,031	95,938	49.1%
Adjusted net profit, excluding share based compensation and acquisition cost	123,006	102,283	20.3%
Profit for the period/profit attributable to owners of the Company	115,215	84,083	37.0%
Basic earnings per share ("EPS", in RMB cents)	6.88	5.05	36.2%
Diluted EPS (RMB cents)	6.73	4.91	37.1%

Revenue

The revenue of the Group increased by 21.3% from approximately RMB268.2 million for the six months ended June 30, 2014 to approximately RMB325.4 million for the Period.

Revenue from the Regenerative Medical Biomaterial Business for the Period amounted to approximately RMB102.5 million. For the comparative six-month period ended June 30, 2014, the Group did not consolidate the result of this business segment as the relevant acquisition had not been completed. According to the unaudited management accounts of the relevant subsidiaries comprising the Regenerative Medical Biomaterial Business prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the comparative period last year, the Regenerative Medical Biomaterial Business revenue for the Period has increased by 22.7% comparing to the relevant subsidiaries' pre-acquisition Regenerative Medical Biomaterial Business revenue for the six months ended June 30, 2014. The increase is mainly contributed by the increase in sales volume as a result of increased market demand and the Group's expansion of sales network.

Revenue from the Infusion Set Business amounted to approximately RMB150.6 million for the Period, representing a decrease of 18.1% from approximately RMB183.9 million for the six months ended June 30, 2014. Revenue from the Orthopedic Implant Business amounted to RMB72.3 million for the Period, representing a decrease of 14.2% from approximately RMB84.3 million for the six months ended June 30, 2014. The decreases in these two segments are mainly due to decreases in sales volume of both advance infusion sets and orthopedic implants in unfavorable market conditions, comparing to the high base in the first half of 2014. The restructuring being implemented to the sales forces of our Infusion Set Business also prolonged the time for this segment to recover. However the management believes this negative trend is temporary and has confidence in the promising prospect of the Infusion Set Business and Orthopedic Implant Business.

Financial Review (continued)

Gross Profit

The Group's gross profit increased by 29.3% from approximately RMB190.7 million for the six months ended June 30, 2014 to approximately RMB246.5 million for the Period. The gross profit margin increased from 71.1% for the six months ended June 30, 2014 to 75.8% for the Period, which is primarily attributable to the consolidation of the Regenerative Medical Biomaterial Business with a higher gross margin, together with the changes in product mix with rapid growth in the sales of higher margin non-PVC infusion set products.

Selling Expenses

Selling expenses increased by 49.1% from approximately RMB28.7 million for the six months ended June 30, 2014 to approximately RMB42.8 million for the Period. This change was mainly attributable to the additional selling expense incurred by the newly acquired Regenerative Medical Biomaterial Business, together with the Group's continuing efforts in restructuring the sales team and expanding sales network.

Administrative Expenses

Administrative expenses decreased by 9.4% from approximately RMB56.5 million for the six months ended June 30, 2014 to approximately RMB51.2 million for the Period. This decrease was mainly because the share-based compensation cost decreased to approximately RMB7.8 million from approximately RMB15.1 million for the corresponding period last year. This decrease was partially offset by the additional administrative expenses from the consolidation of the Regenerative Medical Biomaterial Business.

R&D Expenses

R&D expenses increased by 17.1% from approximately RMB14.0 million in the corresponding period last year to approximately RMB16.4 million for the Period, mainly due to the expansion of the R&D team and the increased investment in R&D.

Finance Income — Net

Finance income decreased by approximately RMB10.2 million from approximately RMB14.9 million for the corresponding period last year, to approximately RMB4.7 million for the Period, primarily due to the decrease in balance of bank deposits. The finance costs for the Period decreased by approximately RMB5.0 million from approximately RMB7.8 million for the six months ended June 30, 2014 to approximately RMB2.8 million, mainly due to decrease of bank borrowing balance, with all the outstanding bank borrowing of the Group being repaid during the Period.

Income Tax Expense

During the Period, income tax expense amounted to approximately RMB25.3 million, increased by approximately RMB7.3 million as compared with the corresponding period last year, as a result of the increased profit before tax. The overall income tax rate of the Group remained stable at approximately 18.0% (for the six months ended June 30, 2014: 17.6%).

Financial Review (continued)

Net Profit and Unaudited Adjusted Net Profit

For the foregoing reasons, the net profit of the Group for the Period increased by 37.0%, from approximately RMB84.1 million for the corresponding period last year to approximately RMB115.2 million.

To supplement our condensed consolidated financial statements which are presented in accordance with HKFRSs, we also used unaudited adjusted net profit as an additional financial measure to evaluate our financial performance. Our unaudited adjusted net profit for the Period, derived by excluding share-based compensation expenses of RMB7.8 million from the profit for the Period, was approximately RMB123.0 million, representing an increase of 20.3% from RMB102.3 million for the corresponding period last year (2014: excluding the merger and acquisition cost of approximately RMB3.1 million and the share-based compensation expenses of approximately RMB15.1 million).

Trade and Other Receivables

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

As of June 30, 2015, the trade and other receivables of the Group were approximately RMB420.8 million, representing an increase of approximately RMB49.6 million, as compared to approximately RMB371.2 million as of December 31, 2014. The increase of trade and other receivables is mainly due to the prolonged receivable collection from hospitals and distributors.

Inventories

Inventories increased from approximately RMB101.1 million as of December 31, 2014 to approximately RMB111.4 million as of June 30, 2015, which is in line with the business expansion of the Group.

Property, Plant and Equipment

Property, plant and equipment included buildings, machinery equipment and construction under progress. As of June 30, 2015, the property, plant and equipment of the Group amounted to approximately RMB494.1 million, representing an increase of approximately RMB104.5 million as compared to approximately RMB389.6 million as of December 31, 2014. The increase was primarily due to the acquisition and construction of new facilities and production lines for the expansion of production facilities.

Financial Resources and Liquidity

As at June 30, 2015, the Group's cash and cash equivalents amounted to approximately RMB217.9 million and the Group's short-term deposits amounted to approximately RMB80.0 million. As at June 30, 2015, the Group had no outstanding bank borrowing balances. The board of directors (the "Board") of the Company is of the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Cash Flows from Operating Activities

During the Period, the net cash generated from operating activities amounted to RMB90.8 million, which increased by RMB76.2 million compared to RMB14.6 million for the corresponding period last year.

Financial Review (continued)

Pledge of Assets

Details of the Group's bank loans last year which were secured by the assets of the Group are included in Note 21 to the financial statements. Save as disclosed in this report, the Group has not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. It does not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or R&D or other services with it.

Commitments

As of June 30, 2015, the Group has a total capital commitment of approximately RMB14.4 million for contracted but not performed acquisition of property, plant and equipment.

Contingent Liabilities

As of June 30, 2015, the Group did not have any contingent liabilities or guarantees to third parties.

Gearing Ratio

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings are current borrowings as shown in the consolidated balance sheet plus amounts due to related parties of non-trading nature. Total capital is calculated as "total equity" as shown in the consolidated balance sheet plus total borrowings.

	As at June 30,	
	2015	2014
	RMB'000	RMB'000
Total borrowings	—	279,000
Total equity	2,222,277	2,008,044
Total capital	2,222,277	2,287,044
Gearing ratio (%)	—	12.20%

Foreign Exchange Risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar and United States dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group does not hedge against any fluctuation in foreign currency during the Period as the exposure was considered minimal. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in the future.

The currencies in which the cash and cash equivalents are denominated have been disclosed in Note 16 to the condensed consolidated financial statements.

Supplementary Information

Use of Proceeds

The net proceeds from the Company's initial public offering on November 8, 2013 ("**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 June 30, 2015, the proceeds raised by the Company from the IPO have not been fully utilized. During the Period, such net proceeds were applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated October 28, 2013 (the "**Prospectus**"). In the second half of 2015, the Company will use the proceeds raised from the IPO in accordance with its development strategies, market conditions and intended use of such proceeds.

Human Resources

As at June 30, 2015, the Group had a total of approximately 1,604 employees (December 31, 2014: 1,670 employees). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, that is determined with reference to their experience, qualifications and general market conditions. The Group has designed an evaluation system to assess the performance of its employees. This system forms the basis of our Group's determination on employees' salaries, bonuses and promotions. We believe the salaries and bonuses that our Group's employees receive are competitive with market rates. Under applicable PRC laws and regulations, our Group is subject to social insurance contribution plans, work-related injury insurance and maternity insurance schemes. We place a strong emphasis on providing training to our employees in order to enhance their technical and product knowledge as well as comprehension of industry quality standards and work place safety standards. We also provide regular on-site and off-site training to help our employees to improve their skills and knowledge. These training courses range from further educational studies to basic product process and skill training to professional development courses for management personnel.

Interim Dividend

The Board has resolved not to declare any interim dividend for the Period (for the six months ended June 30, 2014: nil).

Corporate Governance Practices

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code to govern its corporate governance practices.

In the opinion of the directors of the Company (the "**Directors**"), the Company has complied with the relevant code provisions contained in the CG Code during the Period.

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

Supplementary Information (continued)

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company’s securities.

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

Purchase, Sale or Redemption of the Company’s Listed Shares

During the Period, the Company repurchased on the Stock Exchange a total of 5,903,000 shares of the Company at a total consideration of approximately HK\$17.8 million. Such shares of the Company had been cancelled on March 6, 2015 and April 17, 2015 respectively. Details of the share repurchases are summarized as follows:

Month of repurchase	Total number of shares repurchased	Repurchase price per share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
January 2015	2,765,000	3.25	3.18	8,919,302
March 2015	3,138,000	2.85	2.82	8,917,924

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Period. The purchase of the Company’s shares was made for the benefit of the shareholders with a view to enhancing the net asset value per share and earnings per share of the Company.

Review of Financial Information

Audit Committee

The audit committee of the Company, comprising Mr. WANG Xiaogang, Mr. CHEN Geng and Mr. LIN Junshan, has discussed with the management and reviewed the unaudited interim financial information of the Group for the Period.

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

Supplementary Information (continued)

Interests of Directors and Chief Executive in Securities

As at June 30, 2015, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (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 of the Company

Name of Director	Capacity	Number of ordinary shares interested	Approximate percentage ⁺ of the Company's issued share capital
Ms. Yue'e ZHANG	Beneficial owner	50,000	0.003%
Mr. JIANG Liwei	Beneficial owner	1,046,357	0.06%
Mr. LIN Junshan	Beneficial owner	145,714	0.01%
Mr. CHEN Geng	Beneficial owner	318,472	0.02%

(B) Long position in underlying shares of the Company — physically settled unlisted equity derivatives

Name of Director	Capacity	Number of underlying shares in respect of the share options granted	Approximate percentage ⁺ of underlying shares over the Company's issued share capital
Mr. JIANG Liwei	Beneficial owner	4,777,070	0.29%
Mr. LIN Junshan	Beneficial owner	9,554,140	0.57%
Mr. CHEN Geng	Beneficial owner	955,413	0.06%
Mr. WANG Xiaogang	Beneficial owner	955,413	0.06%

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

+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at June 30, 2015.

Save as disclosed above and in the below section headed “Pre-IPO Share Option Scheme” and to the best knowledge of the Directors, as at June 30, 2015, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Supplementary Information (continued)

Substantial Shareholders' Interests and Short Positions in Securities

As at June 30, 2015, the following corporations/persons had interests or short positions in the issued shares of the Company according to the register required to be kept by the Company under section 336 of the SFO:

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 (L)	32.67%
Ms. Yufeng LIU	2	Interest of a controlled corporation	547,061,863 (L)	32.67%
Mr. ZHANG Zaixian	3	Interest of spouse	547,061,863 (L)	32.67%
Mr. Marc CHAN	4	Interest of controlled corporations	395,385,962 (L)	23.61%
Right Faith Holdings Limited		Beneficial owner	393,385,962 (L)	23.49%
WP X Asia Medical Devices Holdings Limited		Beneficial owner	327,148,418 (L)	19.54%
		Beneficial owner	327,148,418 (S)	19.54%
Warburg Pincus Private Equity X, L.P.	5	Interest of a controlled corporation	327,148,418 (L)	19.54%
		Short position of a controlled corporation	327,148,418 (S)	19.54%
Warburg Pincus X, L.P.	5	Interest of controlled corporations	327,148,418 (L)	19.54%
		Short position of controlled corporations	327,148,418 (S)	19.54%
Warburg Pincus X GP L.P.	5	Interest of controlled corporations	327,148,418 (L)	19.54%
		Short position of controlled corporations	327,148,418 (S)	19.54%
WPP GP LLC	5	Interest of controlled corporations	327,148,418 (L)	19.54%
		Short position of controlled corporations	327,148,418 (S)	19.54%
Warburg Pincus Partners, L.P.	5	Interest of controlled corporations	327,148,418 (L)	19.54%
		Short position of controlled corporations	327,148,418 (S)	19.54%
Warburg Pincus Partners GP LLC	5	Interest of controlled corporations	327,148,418 (L)	19.54%
		Short position of controlled corporations	327,148,418 (S)	19.54%
Warburg Pincus & Co.	5	Interest of controlled corporations	327,148,418 (L)	19.54%
		Short position of controlled corporations	327,148,418 (S)	19.54%
FMR LLC	6	Investment manager	99,465,000 (L)	5.94%

Supplementary Information (continued)

Notes:

- (1) The letter "L" denotes the person's or corporation's long position in the shares of the Company. The letter "S" denotes the corporation's short position in the shares of the Company.
 - (2) 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 of the Company in which Cross Mark Limited is interested.
 - (3) 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 of the Company in which Ms. Yufeng LIU is interested.
 - (4) 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 2,000,000 shares of the Company. Under the SFO, Mr. Marc CHAN is deemed to be interested in the same number of shares of the Company in which Right Faith Holdings Limited and Amplewood Resources Limited are interested.
 - (5) WP X Asia Medical Devices Holdings Limited ("**WPX**") is a subsidiary of Warburg Pincus Private Equity X, L.P., which is in turn a wholly owned subsidiary of Warburg Pincus X, L.P.. Warburg Pincus X, L.P. is wholly owned by Warburg Pincus X GP, L.P., which is in turn a wholly owned subsidiary of WPP GP LLC. WPP GP LLC is a wholly owned subsidiary of Warburg Pincus Partners, L.P., which is in turn a wholly owned subsidiary of Warburg Pincus Partners GP LLC, a wholly owned subsidiary of Warburg Pincus & Co.. Under the SFO, the said seven entities are deemed to have the long and short positions in the shares held by WPX.
 - (6) Fidelity Management & Research Company Inc., Pyramis Global Advisors Trust Company and Pyramis Global Advisors, LLC. are interested in 95,251,000 shares, 2,514,000 shares and 1,700,000 shares of the Company respectively. The above three entities are controlled by FMR LLC. Under the SFO, FMR LLC is deemed to be interested in the same number of shares of the Company in which the three entities are interested.
- + The percentage represents the number of ordinary shares involved in the long/short positions divided by the number of the Company's issued shares as at June 30, 2015.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2015, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Pre-IPO Share Option Scheme and Share Option Scheme

Pre-IPO Share Option Scheme

The Company conditionally approved and adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") pursuant to the resolutions of the shareholders of the Company passed on July 3, 2013 and has amended the same pursuant to the resolutions of the shareholders of the Company 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, which was prior to the date on which the Company's shares were listed on the Stock Exchange (being November 8, 2013, the "**Listing Date**"), 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 of the Company 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 who 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.

Supplementary Information (continued)

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

Name or category of option holders	Number of options					Outstanding as at 30/06/2015
	Outstanding as at 1/1/2015	Granted during the Period	Exercised during the Period (Notes 1 & 2)	Cancelled during the Period	Lapsed during the Period	
Directors of the Company						
Mr. JIANG Liwei	4,777,070	—	—	—	—	4,777,070
Mr. LIN Junshan	9,554,140	—	—	—	—	9,554,140
Mr. CHEN Geng	955,413	—	—	—	—	955,413
Mr. WANG Xiaogang	955,413	—	—	—	—	955,413
Senior management and other employees of the Group						
In aggregate	33,105,090	—	3,598,725	—	318,471	29,187,894
Total	49,347,126	—	3,598,725	—	318,471	45,429,930

Notes:

- (1) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$3.30.
- (2) The exercise price per share of the above options granted is RMB0.626.

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

A detailed summary of the terms (including the terms of the Pre-IPO Share Option Scheme, the calculation method of the exercise price, exercise periods, 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 19 to the consolidated financial statements.

Supplementary Information (continued)

Share Option Scheme

On October 14, 2013, the Company adopted a share option scheme, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules (the “**Share Option Scheme**”). 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 of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme is 160,000,000 shares, representing approximately 9.53% of the total issued share capital of the Company as at the date of this interim report.

The total number of shares of the Company 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 of the Company 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 Company’s 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 Company’s 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 of the Company.

No share option has been granted under the Share Option Scheme since its adoption and up to the date of this interim report.

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

Report on Review of Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF PW MEDTECH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 18 to 44, which comprises the condensed consolidated balance sheet of PW Medtech Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2015 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 August 2015

PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Condensed Consolidated Balance Sheet

As at 30 June 2015

	Note	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Assets			
Non-current assets			
Land use rights	7	63,992	64,662
Property, plant and equipment	8	494,082	389,580
Intangible assets	9	981,301	994,894
Deferred income tax assets	22	11,592	14,777
Long-term prepayments	11	16,209	32,536
		1,567,176	1,496,449
Current assets			
Inventories	12	111,431	101,121
Trade and other receivables	13	420,791	371,151
Restricted cash	14	—	260,000
Short-term deposits	15	80,000	—
Cash and cash equivalents	16	217,943	153,816
		830,165	886,088
Total assets		2,397,341	2,382,537
Equity			
Equity attributable to owners of the Company			
Share capital	17	1,035	1,036
Share premium	17	1,666,048	1,674,404
Other reserves	18	99,759	95,666
Retained earnings		454,268	339,053
		2,221,110	2,110,159
Non-controlling interests		1,167	1,167
Total equity		2,222,277	2,111,326

Condensed Consolidated Balance Sheet (continued)

As at 30 June 2015

	Note	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	22	63,054	65,316
Deferred income	23	6,503	7,282
		69,557	72,598
Current liabilities			
Trade and other payables	20	96,914	114,318
Current income tax liabilities		8,593	9,295
Borrowings	21	—	75,000
		105,507	198,613
Total liabilities		175,064	271,211
Total equity and liabilities		2,397,341	2,382,537
Net current assets		724,658	687,475
Total assets less current liabilities		2,291,834	2,183,924

The notes on page 24 to 44 form an integral part of this condensed interim financial information.

Condensed Consolidated Income Statement

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue		325,407	268,179
Cost of sales		(78,905)	(77,507)
Gross profit		246,502	190,672
Selling expenses		(42,784)	(28,653)
Administrative expenses		(51,205)	(56,483)
Research and development expenses		(16,407)	(13,999)
Other gains — net	24	2,554	3,434
Operating profit		138,660	94,971
Finance income		4,657	14,878
Finance costs		(2,841)	(7,763)
Finance income — net		1,816	7,115
Profit before income tax		140,476	102,086
Income tax expense	25	(25,261)	(18,003)
Profit for the period		115,215	84,083
Profit attributable to:			
Owners of the Company		115,215	84,083
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)			
— Basic	28	6.88	5.05
— Diluted	28	6.73	4.91
Dividends	29	—	—

The notes on page 24 to 44 form an integral part of this condensed interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	115,215	84,083
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Change in value of available-for-sale financial assets	25	—
Disposal of available-for-sale financial assets	(25)	—
Currency translation differences	(208)	(258)
Other comprehensive income for the period, net of tax	(208)	(258)
Total comprehensive income for the period	115,007	83,825
Attributable to:		
— Owners of the Company	115,007	83,825

The notes on page 24 to 44 form an integral part of this condensed interim financial information.

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2015

	Unaudited							
	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2015	1,036	1,674,404	95,666	339,053	2,110,159	1,167	2,111,326	
Comprehensive income								
Profit for the period	—	—	—	115,215	115,215	—	115,215	
Currency translation differences	—	—	(208)	—	(208)	—	(208)	
Change in value of available-for-sale financial assets	—	—	25	—	25	—	25	
Disposal of available-for-sale financial assets	—	—	(25)	—	(25)	—	(25)	
Total comprehensive income	—	—	(208)	115,215	115,007	—	115,007	
Transactions with owners								
Proceeds from employee share options exercised (Note 17)	2	2,282	—	—	2,284	—	2,284	
Buy-back of shares (Note 17)	(3)	(14,128)	—	—	(14,131)	—	(14,131)	
Transfer to share premium upon exercise of share options (Note 17)	—	3,490	(3,490)	—	—	—	—	
Share option reserve (Note 18)	—	—	7,791	—	7,791	—	7,791	
Total transactions with owners	(1)	(8,356)	4,301	—	(4,056)	—	(4,056)	
Balance at 30 June 2015	1,035	1,666,048	99,759	454,268	2,221,110	1,167	2,222,277	

	Unaudited				
	Attributable to owners of the Company				
	Share capital	Share premium	Other reserves	Retained earnings	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2014	1,026	1,647,840	87,407	162,423	1,898,696
Comprehensive income					
Profit for the period	—	—	—	84,083	84,083
Other comprehensive income	—	—	(258)	—	(258)
Total comprehensive income	—	—	(258)	84,083	83,825
Transactions with owners					
Proceeds from employee share options exercised (Note 17)	10	10,382	—	—	10,392
Transfer to share premium upon exercise of share options (Note 17)	—	15,682	(15,682)	—	—
Share option reserve (Note 18)	—	—	15,131	—	15,131
Total transactions with owners	10	26,064	(551)	—	25,523
Balance at 30 June 2014	1,036	1,673,904	86,598	246,506	2,008,044

The notes on page 24 to 44 form an integral part of this condensed interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		118,362	40,849
Interest paid		(2,555)	(7,841)
Income tax paid		(25,040)	(18,445)
Net cash generated from operating activities		90,767	14,563
Cash flows from investing activities			
Prepayment for acquisition of subsidiaries		—	(195,000)
Purchases of property, plant and equipment		(15,285)	(96,843)
Purchases of construction in progress		(109,449)	(2,339)
Purchases of land use rights		—	(2,470)
Purchases of available-for-sale financial assets	10	(21,000)	—
Proceeds from disposal of available-for-sale financial assets	10	21,025	—
Proceeds from disposal of a subsidiary		1,000	—
Net decrease/(increase) in restricted cash	14	260,000	(260,102)
Proceeds from disposal of property, plant and equipment		4,062	—
Placement of deposits with initial terms over three months	15	(80,000)	—
Net cash generated from/(used in) investing activities		60,353	(556,754)
Cash flows from financing activities			
Buy-back of shares	17	(14,131)	—
Cash paid for acquiring additional interests in subsidiaries without change of control		—	(4,195)
Proceeds from borrowings		140,000	240,000
Repayment of borrowings		(215,000)	(54,000)
Payment of arrangement fee for bank borrowings		—	(4,000)
Proceeds from employee share options exercised		2,284	5,457
Net cash (used in)/generated from financing activities		(86,847)	183,262
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		153,816	1,145,641
Exchange (losses)/gains on cash and cash equivalents		(146)	636
Cash and cash equivalents at end of the period	16	217,943	787,348

The notes on page 24 to 44 form an integral part of this condensed interim financial information.

Notes to the Condensed Consolidated Financial Information

1 General information of the Group

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 since 8 November 2013.

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

The consolidated balance sheet as at 30 June 2015, the consolidated income statement and consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “**Interim Financial Information**”) of the Group have been approved by the Board of Directors (the “**Board**”) on 25 August 2015.

This Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

This Interim Financial Information has not been audited.

2 Basis of preparation

This Interim Financial Information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the Group’s annual financial statements for the year ended 31 December 2014, as described in the financial statements.

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

There are no new standards, amendments and interpretations to existing standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

Notes to the Condensed Consolidated Financial Information (continued)

3 Accounting policies (continued)

The following new standards and amendments to standards have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted:

	Effective for annual periods beginning on or after
Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation"	1 January 2016
Amendments to HKAS 27 "Equity method in separate financial statements"	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: applying the consolidation exception"	1 January 2016
Amendments to HKAS 1 "Disclosure initiative"	1 January 2016
Annual improvements 2014, "changes from the 2012-2014 cycle of the annual improvements project"	1 January 2016
HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
HKFRS 9 "Financial Instruments"	1 January 2018

4 Estimates

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2014.

5 Financial risk management

5.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

There have been no changes in the risk management policies since the year end.

Notes to the Condensed Consolidated Financial Information (continued)

5 Financial risk management (Continued)

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

(a) The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

(b) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the six months ended 30 June 2015.

	Available-for-sale financial assets RMB'000
At beginning of the period	—
Additions	21,000
Gains recognised in profit or loss	25
Disposals	(21,025)
At end of the period	—
Total gains for the period recognised in profit or loss under “other gains — net”	25

Notes to the Condensed Consolidated Financial Information (continued)

6 Segment information

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

The executive directors consider the business from a product perspective, and determine that the Group has the following operating segments:

- Regenerative Medical Biomaterial Business — manufacturing and sale of regenerative medical biomaterial products;
- Infusion Set Business — manufacturing and sale of high-end infusion sets; and
- Orthopedic Implant Business — manufacturing and sale of orthopedic implant products, including the product category of trauma, spine and joints.

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

Six months ended 30 June 2014	Infusion Set Business RMB'000 (Unaudited)	Orthopedic Implant Business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers	183,904	84,275	268,179
Cost of sales	(58,848)	(18,659)	(77,507)
Gross profit	125,056	65,616	190,672
Selling expenses	(13,785)	(14,868)	(28,653)
Administrative expenses	(40,025)	(16,458)	(56,483)
Research and development expenses	(7,810)	(6,189)	(13,999)
Other gains-net	3,024	410	3,434
Segment profits	66,460	28,511	94,971
Finance income			14,878
Finance costs			(7,763)
Finance income – net			7,115
Profit before tax			102,086
As at 30 June, 2014			
Segment assets	1,353,390	1,034,352	2,387,742
Deferred income tax assets			8,498
Total assets			2,396,240
Segment liabilities	344,182	28,763	372,945
Deferred income tax liabilities			15,251
Total liabilities			388,196

Notes to the Condensed Consolidated Financial Information (continued)

6 Segment information (continued)

Six months ended 30 June 2015	Regenerative Medical Biomaterial Business RMB'000 (Unaudited)	Infusion Set Business RMB'000 (Unaudited)	Orthopedic Implant Business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers	102,504	150,595	72,308	325,407
Cost of sales	(14,880)	(45,616)	(18,409)	(78,905)
Gross profit	87,624	104,979	53,899	246,502
Selling expenses	(12,650)	(17,461)	(12,673)	(42,784)
Administrative expenses	(8,760)	(27,666)	(14,779)	(51,205)
Research and development expenses	(3,484)	(5,080)	(7,843)	(16,407)
Other gains — net	32	1,750	772	2,554
Segment profits	62,762	56,522	19,376	138,660
Finance income				4,657
Finance costs				(2,841)
Finance income — net				1,816
Profit before tax				140,476
As at 30 June, 2015				
Segment assets	746,782	1,082,578	556,389	2,385,749
Deferred income tax assets				11,592
Total assets				2,397,341
Segment liabilities	24,447	60,114	27,449	112,010
Deferred income tax liabilities				63,054
Total liabilities				175,064

Notes to the Condensed Consolidated Financial Information (continued)

7 Land use rights

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
In the PRC, held on:		
Leases of between 47 to 50 years	63,992	64,662
	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
At beginning of the period	64,662	51,759
Additions	—	470
Amortisation charge	(670)	(504)
At end of the period	63,992	51,725

8 Property, plant and equipment

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
At beginning of the period	389,580	201,121
Additions	124,734	35,271
Disposals	(4,064)	—
Depreciation	(16,168)	(10,537)
At end of the period	494,082	225,855

Notes to the Condensed Consolidated Financial Information (continued)

9 Intangible assets

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	994,894	305,263
Amortisation charge	(13,593)	(2,495)
At end of the period	981,301	302,768

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	11,431	1,215
Administrative expenses	587	470
Selling expenses	1,575	810
	13,593	2,495

10 Available-for-sale financial assets

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	—	—
Additions	21,000	—
Change in value of available-for-sale financial assets	25	—
Disposals	(21,025)	—
At end of the period	—	—

The investments represent short-term investments placed in certain PRC state-owned banking institution with maturity within 1 year and non-determinable return rate. These investments are all denominated in RMB. The fair values of these investments are based on average estimated return rate of 2.60% for the six months ended 30 June 2015.

Notes to the Condensed Consolidated Financial Information (continued)

11 Long-term prepayments

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Prepayments for property, plant and equipment	15,996	32,315
Others	213	221
	16,209	32,536

12 Inventories

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Raw materials	37,738	33,886
Work in progress	17,143	19,805
Finished goods	56,550	47,430
	111,431	101,121

13 Trade and other receivables

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade receivables (a)	400,081	339,498
Less: provision for impairment	(6,836)	(6,871)
Trade receivables — net	393,245	332,627
Bills receivable (b)	593	992
Prepayments	5,965	8,286
Receivable from disposal of subsidiaries	11,520	12,520
Other receivables (c)	9,468	16,726
	420,791	371,151

As at 30 June 2015 and 31 December 2014, except for the prepayments which are not financial assets, the fair value of the trade and other receivables approximated its carrying amounts. As at 31 December 2014 and 30 June 2015, the carrying amount of the trade and other receivables is denominated in RMB.

Notes to the Condensed Consolidated Financial Information (continued)

13 Trade and other receivables (continued)

- (a) As at 30 June 2015 and 31 December 2014, the ageing analysis of the trade receivables based on invoice date are as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Up to 3 months	129,379	144,552
3 months to 6 months	71,187	80,059
6 months to 12 months	124,575	89,230
1 year to 2 years	62,157	16,761
2 years to 3 years	5,947	2,025
	393,245	332,627

Trade receivables arose mainly from Infusion Set Business and Orthopedic Implant Business, as sale from Regenerative Medical Biomaterial Business were normally settled by advance payments from customers. The Group agreed with the customers of Infusion Set Business and Orthopedic Implant Business in settling trade receivables with reference to credit periods within 180 days to 365 days or outstanding balances within certain limits. No interests are charged on the trade receivables. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sales of the goods. This provision has been determined by reference to past collection experience.

As at 30 June 2015 and 31 December 2014, trade receivables of RMB6,836,000 and RMB6,871,000 were past due and impaired, respectively. The impairment provision was RMB6,836,000 and RMB6,871,000 as at 30 June 2015 and 31 December 2014, respectively. It was assessed that a portion of the receivables is expected to be recovered. The individually impaired receivables mainly relate to certain customers, which are in unexpected difficult economic situations.

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
At beginning of the period	6,871	7,849
Reversal of impairment of receivables	(35)	(286)
At end of the period	6,836	7,563

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

Notes to the Condensed Consolidated Financial Information (continued)

13 Trade and other receivables (continued)

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Advances to employees	3,953	2,890
Deposits	938	1,936
Interest receivable	380	6,198
Receivables on government grants	—	2,400
Receivables from disposal of property, plant and equipment	—	1,480
Others	4,197	1,822
	9,468	16,726

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

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

14 Restricted cash

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Restricted bank deposits	—	260,000

The restricted cash represents guaranteed deposits held in a separate reserve account pledged to the bank as security deposits under bank borrowing agreements. The bank borrowing was repaid during the six months ended 30 June 2015 (Note 21), and the aforesaid guarantee was released in May 2015. The carrying amount of the restricted cash is denominated in RMB.

Notes to the Condensed Consolidated Financial Information (continued)

15 Short-term deposits

The effective interest rate for the deposits of the Group with initial terms over three months for the six months ended 30 June 2015 was 3.46%.

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
RMB deposits	80,000	—

The deposits with initial terms over three months were neither past due nor impaired. The directors of the Company considered that the carrying amount of such deposits with initial terms of over three months approximated their fair value as at 30 June 2015.

16 Cash and cash equivalents

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Cash on hand	481	955
Cash at banks	177,409	144,361
Short-term bank deposits	40,053	8,500
	217,943	153,816

Short-term bank deposits are denominated in RMB and with original maturity within three months. The effective interest rate for these deposits of the Group for the six months ended 30 June 2015 was 2.25%.

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
RMB	193,117	127,767
HKD	23,756	16,388
USD	966	9,557
EUR	104	104
	217,943	153,816

Notes to the Condensed Consolidated Financial Information (continued)

17 Share capital and share premium

The total authorised share capital of the Company comprises 5,000,000,000 ordinary shares (2014: 5,000,000,000) with par value of USD0.0001 per share (2014: USD0.0001 per share).

	Number of ordinary shares	Nominal value of ordinary shares US\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Unaudited					
Balance at 1 January 2014	1,660,000,000	166.4	1,026	1,647,840	1,648,866
Proceeds from employee share options exercised	16,608,289	1.7	10	10,382	10,392
Transfer from other reserves upon exercise of share options	—	—	—	15,682	15,682
Balance at 30 June 2014	1,676,608,289	168.1	1,036	1,673,904	1,674,940
Unaudited					
Balance at 1 January 2015	1,676,926,761	168.1	1,036	1,674,404	1,675,440
Proceeds from employee share options exercised (a)	3,598,725	0.4	2	2,282	2,284
Buy-back of shares (c)	(5,903,000)	—	(3)	(14,128)	(14,131)
Transfer from other reserves upon exercise of share options (b)	—	—	—	3,490	3,490
Balance at 30 June 2015	1,674,622,486	168.5	1,035	1,666,048	1,667,083

(a) Options exercised during the six months ended 30 June 2015 resulted in 3,598,725 shares being issued, with exercise proceeds of HK\$2,896,000 (equivalent to RMB2,284,000). The related weighted average price at the time of exercise was HK\$3.32 per share.

(b) Upon exercise of share options, share option reserve amounting to RMB3,490,000 was transferred to share premium.

(c) The Group acquired 5,903,000 of its own shares through purchases on The Stock Exchange of Hong Kong Limited in January 2015 and March 2015, respectively. The total amount paid to acquire the shares was HK\$17,901,000 (equivalent to RMB14,131,000) and has been deducted from shareholders' equity. The related weighted average price at the time of buy-back was HK\$3.04 per share.

Notes to the Condensed Consolidated Financial Information (continued)

18 Other reserves

	Merger reserve RMB'000	Translation reserve RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Total RMB'000
Unaudited					
Balance at 1 January 2014	63,964	5,290	(1,703)	19,856	87,407
Currency translation differences	—	(258)	—	—	(258)
Transfer to share premium upon exercise of share options (Note 17)	—	—	—	(15,682)	(15,682)
Share option reserve	—	—	—	15,131	15,131
Balance at 30 June 2014	63,964	5,032	(1,703)	19,305	86,598
Unaudited					
Balance at 1 January 2015	63,964	5,393	(1,703)	28,012	95,666
Currency translation differences	—	(208)	—	—	(208)
Transfer to share premium upon exercise of share options (Note 17)	—	—	—	(3,490)	(3,490)
Share option reserve	—	—	—	7,791	7,791
Balance at 30 June 2015	63,964	5,185	(1,703)	32,313	99,759

19 Share based payments

(i) Share options

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

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

The principal terms of the Scheme were approved 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 four equal tranches (being 25% of each option granted, and each tranche is hereinafter referred to as a “**Tranche**”) on the four dates: day immediately following the expiry of six months after the listing date, 8 November 2013 (the “**First Vesting Date**”); first anniversary of the First Vesting Date; second anniversary of the First Vesting Date; and third anniversary of the First Vesting Date, respectively with performance conditions. Details of the Scheme was disclosed in the prospectus of the Company dated 28 October 2013.

Notes to the Condensed Consolidated Financial Information (continued)

19 Share based payments (continued)

(ii) Outstanding share options

Movements in the number of share options outstanding:

	Number of share options	
	2015	2014
At 1 January	49,347,126	70,891,722
Exercised	(3,598,725)	(16,608,289)
Forfeited	(318,471)	(3,184,714)
At 30 June	45,429,930	51,098,719

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2015 and 31 December 2014 are as follows:

Exercisable date	Exercise price	Number of share options outstanding	
		30 June 2015	31 December 2014
May 9, 2014	RMB0.63	—	—
May 9, 2015	RMB0.63	12,850,319	16,449,044
May 9, 2016	RMB0.63	16,289,813	16,449,049
May 9, 2017	RMB0.63	16,289,798	16,449,033
		45,429,930	49,347,126

(iii) Fair value of share options

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

Risk free rate	3.59%
Dividend yield	1%
Expected volatility	38%

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

Notes to the Condensed Consolidated Financial Information (continued)

20 Trade and other payables

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade payables (a)	33,392	29,126
Salary and staff welfare payables	25,490	34,350
Advances from customers	9,731	17,249
Provisions for sales rebate	7,257	9,049
Deposits from distributors	5,751	5,296
Payables for purchase of land use rights	3,901	3,901
Value added tax and other taxes	2,695	1,837
Professional fee	13	267
Other payables	8,684	13,243
	96,914	114,318

As at 30 June 2015 and 31 December 2014, except for the advance from customers which are not financial liabilities, all trade and other payables of the Group were non-interest bearing, and their fair value approximate their carrying amounts due to their short maturities.

- (a) At 30 June 2015 and 31 December 2014, the ageing analysis of the trade payables based on invoice date are as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Up to 3 months	26,161	25,941
3 months to 6 months	1,154	538
6 months to 12 months	4,880	1,777
1 year to 2 years	475	721
2 years to 3 years	689	12
Over 3 years	33	137
	33,392	29,126

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

Notes to the Condensed Consolidated Financial Information (continued)

21 Borrowings

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Current bank borrowings — secured/guaranteed (a)	—	75,000

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Secured by the pledge of restricted cash with an aggregate carrying amount RMB260,000,000 at December 31, 2014 and nil at June 30, 2015 (Note 14)	—	75,000

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

The maturity of the borrowings is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
On demand or within 1 year	—	75,000

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Current bank borrowings	—	7%

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

Notes to the Condensed Consolidated Financial Information (continued)

22 Deferred income tax

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Deferred income tax assets		
At beginning of the period	14,777	8,385
(Charged)/Credited to profit or loss	(3,185)	113
At end of the period	11,592	8,498

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Deferred income tax liabilities		
At beginning of the period	(65,316)	(16,079)
Credited to profit or loss	2,262	828
At end of the period	(63,054)	(15,251)

23 Deferred income

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
At beginning of the period	7,282	2,241
Credited to profit or loss	(779)	(121)
At end of the period	6,503	2,120

Notes to the Condensed Consolidated Financial Information (continued)

24 Other gains — net

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	2,313	2,942
— relating to costs	1,534	2,821
— relating to assets	779	121
Loss on disposal of property, plant and equipment	(2)	—
Realised gain on available-for-sale financial assets	25	—
Others	218	492
	2,554	3,434

25 Income tax expense

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	24,338	18,944
Deferred income tax (Note 22)	923	(941)
Income tax expense	25,261	18,003

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

(a) Cayman Islands profits tax

The Company is not 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%.

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

Except for Beijing Fert Technology Co., Ltd. ("**Fert Technology**"), Tianjin Walkman Biomaterial Co., Ltd. ("**Walkman Biomaterial**"), Shenzhen Bone Medical Device Co., Ltd. ("**Shenzhen Bone**") and Beijing Tianxinfu Medical Appliance Co., Ltd. ("**Tianxinfu**"), all being the wholly owned subsidiaries of the Company, the CIT of the Group in respect of its operations in mainland China is calculated at the tax rate of 25% on the estimated assessable profits during the period, based on the existing legislation interpretation and practices in respect thereof.

Fert Technology, Walkman Biomaterial, Shenzhen Bone and Tianxinfu were qualified as "High and New Technology Enterprises" under the CIT Law. Therefore, they were entitled to a preferential income tax rate of 15% on their estimated assessable profits during the six months ended 30 June 2015 (for the six months ended 30 June 2014: 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.

Notes to the Condensed Consolidated Financial Information (continued)

25 Income tax expense (continued)

(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%.

During the six months ended 30 June 2015, 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.

26 Commitments

(a) Capital commitments

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

	30 June 2015 RMB’000 (Unaudited)	31 December 2014 RMB’000 (Audited)
Property, plant and equipment	14,420	24,482

(b) Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The majority of these non-cancellable leases are renewable at the end of the lease period at the market rate. The Group is required to give at least one-month notice for termination of these agreements. The lease expenditure and related management fee, water and electricity expenses (if necessary) were charged to the consolidated income statements.

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

	30 June 2015 RMB’000 (Unaudited)	31 December 2014 RMB’000 (Audited)
No later than 1 year	3,896	3,387
Later than 1 year and no later than 5 years	7,639	9,283
	11,535	12,670

Notes to the Condensed Consolidated Financial Information (continued)

27 Related party transactions

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

The directors of the Company are of the view that the following individual was the related party that had transaction with the Group during the six months ended 30 June 2015:

Name of related party	Relationship with the Group
Wu Dong	Senior management of Shenzhen Bone

(a) Related party transactions

The following transaction was carried out between the Group and the related party. In the opinion of the directors of the Company, the related party transaction was carried out in the normal course of business and at terms negotiated between the Group and the related party.

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Financial guarantee provided by related party:		
Wu Dong	—	8,000

(b) Key management compensation

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other allowances	1,748	2,580
Share-based compensation	2,894	6,255
	4,642	8,835

Notes to the Condensed Consolidated Financial Information (continued)

28 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2015 (Note 17).

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	115,215	84,083
Weighted average number of ordinary shares in issue (thousands)	1,673,575	1,663,598
Basic earnings per share (RMB cents per share)	6.88	5.05

(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. The share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	115,215	84,083
Weighted average number of ordinary shares in issue (thousands)	1,673,575	1,663,598
Adjustments for share options (thousands)	39,076	50,032
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,712,651	1,713,630
Diluted earnings per share (RMB cents per share)	6.73	4.91

29 Dividends

The Board does not propose an interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).