

**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 2020**



## 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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## DEFINITIONS

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

“Audit Committee”	the audit committee of the Company
“Board”	our board of Directors
“CBPO”	China Biologic Products Holdings, Inc., a Cayman Islands exempted company, which changed its domicile from Delaware to the Cayman Islands on 21 July 2017 and has been listed on the NASDAQ Stock Market since 2009 (NASDAQ stock code: CBPO)
“CEO”	chief executive officer of the Company
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company”, “Group”, “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 13 May 2011 and, except where the context indicated otherwise, its subsidiaries
“Director(s)”	the director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Infusion Set Business”	the R&D, manufacturing and sale of advanced infusion set products
“IPO”	the Company’s initial public offering of its Shares
“Listing Date”	8 November 2013, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 3 July 2013 and amended on 14 October 2013
“Prospectus”	the prospectus of the Company dated 28 October 2013
“R&D”	research and development
“Relevant Period”	the six months ended 30 June 2020
“RMB”	Renminbi, the lawful currency of the PRC

## DEFINITIONS



“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value US\$0.0001 each in the issued share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 14 October 2013
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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

Mr. WONG Tin Yu, *ACS, ACIS*

### AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Ms. Yue'e ZHANG

Mr. WONG Tin Yu

### 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, No. 23 Panlong West Road

Pinggu District

Beijing, PRC 101204

### 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

Ocorian 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 54, 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](http://www.pwmedtech.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET AND BUSINESS REVIEW

In the first half of 2020, affected by the continuous outbreak of the novel coronavirus (“COVID-19”) pandemic, the overall global economy slowed down. Furthermore, the lingering US-China trade frictions and significant contraction of international trade have worsened the macro economic performance. Under the impact of the pandemic at the beginning of this year and the exported trade faced with numerous challenges, the economy in China was also seriously affected and various industries were confronted with unprecedented difficulties and changes. Despite a relatively stable performance in the high-end medical device market where the Group operates, as the overall medical demand was dragged and reduced sharply due to the partial suspension of public transport system, inter-region travel restrictions and stay-at-home orders in various cities, infusion set segment market was subsequently under a huge pressure.

During the COVID-19 pandemic, travel restrictions between regions and on domestic public transport to varying extents were imposed in various places and with increasing awareness of pandemic prevention, residents avoided or postponed going out for non-urgent medical consultation and treatment. Meanwhile, amidst the concerted efforts to fight against the pandemic, supply of major medical resources focused more on pandemic prevention and control. Moreover, certain medical institutions suspended non-emergency outpatient services, resulting in prolonged queuing for medical consultation and treatment, and shortage of beds as well as a significant decline in hospital traffic in certain regions.

For the above reasons, the Infusion Set Business, the Group’s core business segment, ultimately faced daunting challenges. During the first half of 2020, the Group’s revenue was RMB101.5 million, representing a decrease of 41.1% over the corresponding period of the previous year. The gross profit was RMB59.5 million, representing a decrease of 44.2% over the corresponding period of the previous year. The overall gross profit margin of the Relevant Period was 58.6%. For the Relevant Period, the profit attributable to owners of the Company amounted to RMB141.2 million, representing an increase of 135.8% over the corresponding period of the previous year. The decrease in the Group’s revenue during the Relevant Period was mainly due to the significant decline in hospital traffic in certain regions, especially in the major sale areas of the Group’s Infusion Set Business, such as Beijing, Hubei and Heilongjiang, and decrease in daily medical consultation demand during the pandemic for the above reasons, thereby resulting in a significant year-on-year decrease in revenue of the Infusion Set Business. As the sale areas of intravenous cannula were relatively less affected by the pandemic, the revenue of intravenous cannula business has increased as compared to the corresponding period of the previous year. The increase in the Group’s net profit for the Relevant Period was mainly contributed by the one-off gain from the disposal of part of the CBPO shares completed in May 2020.

We expect that the backlog orders of infusion set and intravenous cannula business secured last year, coupled with continuous month-on-month rebound in the number of outpatient visits across China, will bring positive benefits to the Group’s overall business development in the second half of the year. In particular, given that the development of intravenous cannula business is still at an early stage, the Group believes that there remains huge room for growth in this business line in the future. The Group will continue to actively expand the intravenous cannula business so as to broaden its income source and further leverage the synergy between the existing businesses.

Although the epidemic in China began to be significantly alleviated in most regions from May to June 2020, the impact of the uncertainties arising from the epidemic could not be neglected still. The Group has been closely monitoring the market conditions to adjust its business strategies when appropriate so as to mitigate the negative impact. During the pandemic, the Group implemented various measures to ensure sanitation and safety during production. The Group also immediately responded to the government policy to resume work and production so as to ensure supply and stable price in the medical device market nationwide, thereby consistently providing medical products for the medical market.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, the Group continued to endeavor to expand its product portfolio, enhance its product innovation and R&D capability, while expanding the distribution network in a proactive manner. The pandemic not only serves as a huge test for the Group, but also brings opportunities for industrial transformation and development. We are well aware that safeguarding medical device resources and product quality are both integral to battling against the pandemic. In response to the pandemic, the Group upgraded quality control of its own products and continued to expand product R&D, with a view to enhancing its own competence and actively providing strong support for the industry. Meanwhile, reinforcing management of our own industrial park, we stayed ready for this pandemic fight at all times by actively carrying out proper corporate pandemic prevention measures and further enhancing prevention awareness of and health protection for our employees to ensure the safe and stable operation of the Group. In terms of working capital management, the Group strengthened control and management of cash flow and optimized its system and mechanism for prevention and control of the epidemic, thereby guaranteeing sufficient working capital for adapting to the possibility of normalization of the pandemic. At the same time, the Group will continue to focus on the fast-growing and high margin medical device markets in China, striving to expand new markets with huge potential for development and seize every opportunity in the market.

### BUSINESS STRATEGIES AND FUTURE OUTLOOK

As a pivotal player in addressing this major public health emergency, the medical device industry was actively engaged in the pandemic fight and fully demonstrated its role in technological support and supplies security as well as the strong sense of industry mission. When the pandemic is over, the PRC government is expected to continue to strengthen its investment in the medical health sector and enhance the ability of the society to respond to the public health emergency. As the key protection for the entire medical health sector, the medical device is expected to further remain long-term and stable growth momentum with its market size. According to the Blue Book of Medical Device Industry: Annual Report on the Development of Medical Device Industry in China (2019) ("**Blue Book of Medical Device Industry**"), the compound annual growth rate of the medical device industry in China from 2019 to 2022 is expected to remain at about 15%. In 2022, the revenue from the main business of the production enterprises for medical devices is expected to exceed RMB1 trillion.

Looking forward to the second half of 2020, despite the continuously volatile global pandemic, the epidemic in China has basically been under control and domestic travel restriction measures have also been gradually loosened and passenger traffic has gradually resumed. It is expected that as hospitals begin to resume normal medical consultation and treatment, the medical consultation demand of large numbers of patients who did not receive medical treatment during the epidemic will possibly and gradually be released. The recovery of passenger traffic and the resumption of consultation services in medical institutions are expected to drive a significant rebound in the daily medical consultation demand of the public, thereby continuing to propel the demand for the products of the Group.

The financial position and cash flow of the Group remain stable and sound. Save from the uncertainties resulting from, among other factors, impacts of the development of the epidemic in China and market conditions, the Board considers that the Group's revenue for the second half of 2020 will increase as compared to that for the first half of the year.

The Group will closely monitor the market conditions to adjust its business strategies when appropriate. It will focus on the advanced infusion set and intravenous cannula business and be committed to providing a safer and more efficient solutions for the market. The Group will also continue the R&D and expansion of the medical devices in the diabetes therapy sector and other therapy sectors to further optimize its business coverage. As of 30 June 2020, the Group has obtained 35 registration certificates for products, covering, among others, infusion set, intravenous cannula, intestinal feeding device, insulin injection pen, insulin injection needle and blood transfusion set. The Group will continue to optimize its business coverage to enhance its overall competitiveness and make essential contribution to the safety and effectiveness of medical therapy proactively.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Emphasis on Innovation and R&D

The Group has an R&D team consisting of experienced members. The team closely cooperates with surgeons, hospitals (especially Class III Grade A hospitals), first class university research centers and other research institutions. As of 30 June 2020, the Group had owned 88 patents for products and the Group had applied for 22 new patents. The Group will continue its investment in product innovation and R&D with an aim to maintain its position in the industry.

### Expansion of Distribution Network

The Group has an experienced, strong and dedicated team of professional sales and marketing staff to support and consolidate its distribution networks in 31 provinces, municipalities and autonomous regions in China, and enhance the promotion of products from all business segments. Our core salesmen have an average of ten years of experience in their respective fields. Nearly half of our sales and marketing team have medical education backgrounds, which enables them to communicate with doctors and nurses in a professional and effective manner.

### Strategic Acquisitions

As stated in the Blue Book of Medical Device Industry, the medical device market in China has become the second largest market in the world and the upcoming decade will still be the “golden era” for the fast development of the medical device industry in China. Facing the unexpected pandemic and with the trend of driving the reform of public health emergency management system in various countries, the medical device industry will serve as the key protection for public health emergency and its development will also face new opportunities for breakthroughs as well as the reshaping of its regional landscape, bringing huge development potential in the market. In terms of policies, National Health Commission of the People’s Republic of China and State Administration for Market Regulation successively promulgated policies regarding medical device, under which, apart from deepening the reform of reviewing and approval system, more emphases will be put on post-marketing regulations for medical devices so as to safeguard public safety. To precisely seize the business opportunities, the Group will continue to seek opportunities with high-growth, high-profit margin and immense growth potential within its existing business segments so as to expand its business presence and consolidate its position in the industry.

## FINANCIAL REVIEW

### Overview

	Six months ended 30 June		
	2020 RMB'000	2019 RMB'000	Change
Revenue	<b>101,536</b>	172,309	-41.1%
Gross profit	<b>59,513</b>	106,578	-44.2%
Other gains/(losses)	<b>116,511</b>	(1,898)	N/A
Profit for the period	<b>141,151</b>	59,860	135.8%

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

The revenue of the Group decreased by 41.1% from approximately RMB172.3 million for the six months ended 30 June 2019 to approximately RMB101.5 million for the Relevant Period, as a result of the decrease in sales of the Infusion Set Business. Such decrease was mainly due to: (i) the outbreak of COVID-19 pandemic starting in early 2020, which caused significant decline in hospital traffic in the PRC and led to the decrease of sale volume of infusion sets, especially in the major sale areas of the Group, such as Beijing, Hubei and Heilongjiang; and (ii) an increase in sales of disposable intravenous cannula by 43.9% to RMB23.9 million, partially offsetting impact of the decrease of infusion sets sales.

### Gross Profit

The Group's gross profit decreased by 44.2% from approximately RMB106.6 million for the six months ended 30 June 2019 to approximately RMB59.5 million for the Relevant Period. The gross profit margin decreased from 61.9% for the six months ended 30 June 2019 to 58.6% for the Relevant Period which was mainly due to the increase of the unit fixed cost as the sales volume declined.

### Selling and Marketing Expenses

Selling and marketing expenses decreased by 7.4% from approximately RMB50.2 million for the six months ended 30 June 2019 to approximately RMB46.5 million for the Relevant Period. This decrease was mainly attributable to the decrease of the travelling and logistical expenses as well as the business entertainment cost which was due to the imposition of travel restrictions during the COVID-19 pandemic period.

### General and Administrative Expenses

General and administrative expenses increased by 7.5% from approximately RMB30.8 million for the six months ended 30 June 2019 to approximately RMB33.1 million for the Relevant Period. The increase was mainly because the write off of trade receivables increased by RMB4.4 million for the Relevant Period (nil for the six months ended 30 June 2019).

### R&D Expenses

R&D expenses increased by 9.3% from approximately RMB9.8 million for the six months ended 30 June 2019 to approximately RMB10.7 million for the Relevant Period, which was mainly due to certain new R&D activities launched during the period.

### Other Gain — Net

Net other loss was approximately RMB1.9 million for the six months ended 30 June 2019 as compared with net other gain of approximately RMB116.5 million for the Relevant Period, which was mainly the net result of: (i) a gain on one-off transaction of disposal of CBPO shares amounted to RMB122.9 million as disclosed in Note 17 to the condensed consolidated interim financial statements; (ii) the loss on deemed disposal of an associate increased by approximately RMB9.3 million; (iii) a rental and property management income of investment properties increased by RMB6.5 million, from RMB5.7 million for the six months ended 30 June 2019; and (iv) the loss on the disposal and written off of property, plant and equipment increased by approximately RMB3.0 million.

### Fair Value (Loss)/Gain on Investment Properties

The Group had a fair value loss on investment properties of RMB14.0 million for the Relevant Period, while for the six months ended 30 June 2019, there was a fair value gain on investment properties amounted to RMB0.5 million, which is mainly due to decline in the rental market in an epidemic environment.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance Cost — Net

The Group had a net finance cost of RMB9.3 million for the Relevant Period, which decreased by approximately RMB5.4 million from RMB14.7 million for the six months ended 30 June 2019. The decrease was mainly due to the early repayment of bank borrowing of US\$82,720,000 in May 2020, such that the Group accrued approximately 4 months interest expense for the Relevant Period, while accrued 6 months interest expense for the six months ended 30 June 2019.

### Share of Result of an Associate

As disclosed in Note 17 to the condensed consolidated interim financial statements for the Relevant Period, the investment in CBPO is classified as interest in an associate and has been accounted for using equity method, and share of result of CBPO during the Relevant Period amounted to RMB79.1 million (for the six months ended 30 June 2019: RMB67.4 million), after deducting amortization of intangible assets arising from the acquisition of RMB20.1 million for the Relevant Period (for the six months ended 30 June 2019: RMB20.8 million).

### Income Tax Credits

Income tax expense was approximately RMB2.4 million for the six months ended 30 June 2019, as compared with income tax credits of RMB6.0 million for the Relevant Period, which was mainly due to the decrease of taxable profit as well as the record of the deferred income tax assets related to impairment loss of trade receivables and fair value loss on investment properties.

### Net Profit

The net profit of the Group increased by RMB81.3 million from approximately RMB59.9 million for the six months ended 30 June 2019 to RMB141.2 million for the Relevant Period after taking into account the one-off effect of the gain on partial disposal of CBPO shares of RMB122.9 million.

### Trade and Other Receivables

The Group's trade receivables primarily comprised the outstanding payment from credit sales. As of 30 June 2020, the trade receivables of the Group was approximately RMB121.8 million, representing a decrease of approximately RMB41.8 million as compared to approximately RMB163.6 million as of 31 December 2019, which was mainly due to the collection of trade receivables and the increase of impairment allowance of trade receivables by RMB6.3 million.

The Group has selected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and established a provision matrix that was based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The details are disclosed in Note 18 to the condensed consolidated interim financial statements for the Relevant Period.

The Group reviews the financial performance of the customers with long aging receivables periodically and revises the credit terms granted to the customers based on credit risk analysis. Besides review of account receivables, the management may also use letter of collection and lawyer's letter to collect the receivables. The Group would also negotiate with customers to explore the use of debt agreement if there are higher risk of recoverability. In some circumstances, the internal legal department of the Group would be involved in collection of receivables to explore the availability of legal actions, and to issue formal communication to the customer before escalating the actions. Out of the trade receivables aged over 6 months which amounted to RMB92.4 million at 31 December 2019, a total of RMB36.1 million was subsequently received up to 30 June 2020.

As at 30 June 2020, the Group had made loss allowances of RMB31.4 million (as at 31 December 2019: RMB25.0 million) on the trade receivables with a gross amount of RMB153.2 million (as at 31 December 2019: RMB188.6 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Inventories

Inventories increased by 9.9%, from approximately RMB36.4 million as at 31 December 2019, to approximately RMB40.0 million as at 30 June 2020, which was mainly due to the slowdown of the sales.

### Property, Plant and Equipment

Property, plant and equipment mainly include buildings and facilities, machinery and equipment and construction in progress. As of 30 June 2020, the property, plant and equipment of the Group amounted to approximately RMB716.4 million, representing a decrease of approximately RMB8.8 million as compared to approximately RMB725.2 million as at 31 December 2019. The decrease was mainly due to: (i) the construction of facilities to expand production capacities amounted to approximately RMB15.0 million; (ii) the disposal of property which amounted to RMB9.9 million; and (iii) the depreciation for the Relevant Period which amounted to RMB13.9 million.

### Investment Properties

Investment properties, mainly comprising factories and offices, are held by the Group for long-term rental yields, which are located at No. 23 Panlong West Road, Pinggu District, Beijing, with approximately 39,714.5 square meters construction area. The properties are held on a leasehold land with land use right granted to the Group for 47 years until 26 May 2059. As at 30 June 2020, the investment property of the Group amounted to approximately RMB262.5 million, decreased by RMB14.0 million compared to approximately RMB276.5 million as at 31 December 2019. The decrease was mainly due to the recognition of the fair value loss on investment properties of RMB14.0 million for the Relevant Period.

### 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 30 June 2020, the net value of the Group's intangible assets was approximately RMB179.5 million, representing a decrease of approximately RMB1.6 million as compared to RMB181.1 million as at 31 December 2019. The decrease was primarily due to the amortisation charged during the Relevant Period.

### Interest in an associate

As at 30 June 2020, our share of the net assets of CBPO amounted to RMB2,030 million, representing 41.1% of our total asset as at 30 June 2020. While as at 31 December 2019, our share of the net assets of CBPO amounted to RMB2,312 million, representing 43.3% of our total asset as at 31 December 2019.

### Financial Resources and Liquidity

As of 30 June 2020, the Group's cash and bank balances amounted to approximately RMB290.6 million (31 December 2019: RMB132.6 million). As at 30 June 2020, the Group's bank borrowings balances were RMB10 million as disclosed in Note 20 to the condensed consolidated interim financial statements for the Relevant Period (31 December 2019: RMB587.1 million).

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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Cash Flows from Operating Activities

During the Relevant Period, the net cash generated from operating activities amounted to RMB40.0 million, representing an increase by RMB18.4 million as compared to RMB21.6 million for the six months ended 30 June 2019. The increase of the operating cash flow was mainly due to the collection of the trade and other receivable and the delay of the payment.

### Pledge of Assets

Save as those disclosed in Note 20 to the condensed consolidated interim financial statements, during the Relevant Period, the Group did not enter into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. The Group 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, R&D or other services with it.

### Commitments

As of 30 June 2020, the Group had a total capital commitment of approximately RMB24.7 million (31 December 2019: RMB30.4 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

### Capital Expenditure

During the Relevant Period, the Group incurred capital expenditure of RMB15.0 million (for the six months ended 30 June 2019: RMB31.6 million) on the expansion of the plants and procurement of equipments.

### Gearing Ratio

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

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Total borrowing	<b>10,000</b>	587,071
Total equity	<b>4,773,644</b>	4,608,489
Total capital	<b>4,783,644</b>	5,195,560
Gearing ratio	<b>0.21%</b>	11.30%

### 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 Relevant Period. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 borrowings. Borrowing issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively.

As at 30 June 2020, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would not decrease/increase the Group's profit for the Relevant Period (for the six months ended 30 June 2019: RMB482,300).

The sensitivity analysis above has been determined by assuming that the change in interest rates had occurred at the end of Relevant Period and had been applied to the exposure to interest rate risk for the borrowings in existence on that date. The increase/decrease of the 100 basis points 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 state-owned enterprises or major customers with good repayment history. Details of the Group's trade and other receivable credit management are also discussed above under the heading of "Trade and Other Receivables".

## SUPPLEMENTARY INFORMATION

### HUMAN RESOURCES

As at 30 June 2020, the Group had a total of approximately 845 employees (31 December 2019: 1,022 employees). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The Group has designed an evaluation system to assess the performance of its employees. This system forms the basis of the Group's determination on employees' salaries, bonuses and promotions. We believe the salaries and bonuses that the Group's employees received are competitive with market rates. Under applicable PRC laws and regulations, the Group is subject to social insurance contribution plans, work-related injury insurance and maternity insurance schemes.

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

### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Relevant Period (for the six months ended 30 June 2019: 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 the Shareholders as a whole. The Company has adopted the code provisions as set out in the CG Code as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Relevant Period, with the exception of code provision A.2.1 of the CG Code.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. Currently, Ms. Yue'e Zhang performs both the roles of the chairman of the Board and the CEO. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. Under the leadership of Ms. Yue'e Zhang, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

## SUPPLEMENTARY INFORMATION

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 each of the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

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

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

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

### REVIEW OF FINANCIAL INFORMATION

#### Audit Committee

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

#### Auditor

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



SUPPLEMENTARY INFORMATION

**INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES**

As at 30 June 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

**(A) Long position in ordinary Shares**

Name of Director	Capacity	Number of ordinary Shares interested	Approximate percentage <sup>+</sup> 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 <sup>+</sup> 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 as required to be disclosed pursuant to the Listing Rules are set out in the section headed "Pre-IPO Share Option Scheme" below.

<sup>+</sup> The percentage represents the number of ordinary Shares/underlying Shares interested divided by the number of the Company's issued Shares as at 30 June 2020.

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 30 June 2020, none of the Directors or the chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which 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.

## SUPPLEMENTARY INFORMATION

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2020, 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	575,061,863	36.65%
Ms. Yufeng LIU	1	Interest of a controlled corporation	575,061,863	36.65%
Mr. ZHANG Zaixian	2	Interest of spouse	575,061,863	36.65%
Right Faith Holdings Limited		Beneficial owner	393,385,962	25.07%
Mr. Marc CHAN	3	Interest of controlled corporations	408,385,962	26.02%

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 30 June 2020.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2020, no person had registered an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

## PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

## Pre-IPO Share Option Scheme

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

## SUPPLEMENTARY INFORMATION

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

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

Name of option holder	Outstanding as at 1 January 2020	Granted during the Relevant Period	Number of options Exercised			Outstanding as at 30 June 2020
			during the Relevant Period (Note)	Cancelled during the Relevant Period	Lapsed during the Relevant Period	
<b>Director</b>						
Mr. WANG Xiaogang	118,471	—	—	—	—	118,471
<b>Total</b>	<b>118,471</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>118,471</b>

Note: The exercise price per Share of the above options granted is RMB0.626.

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

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

The Pre-IPO Share Option Scheme does not fall within the ambit of, and is not subject to, the regulations under Chapter 17 of the Listing Rules.

### Share Option Scheme

On 14 October 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.

## SUPPLEMENTARY INFORMATION

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 160,000,000 Shares, representing 10% of the total number of issued Shares on the Listing Date, and approximately 10.20% of the total number of issued Shares as at the date of this interim report.

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

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

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

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

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

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



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



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## TO THE BOARD OF DIRECTORS OF PW MEDTECH GROUP LIMITED

*(incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of PW Medtech Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 20 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

**BDO Limited**  
*Certified Public Accountants*

**Ng Wai Man**  
Practising Certificate Number P05309  
Hong Kong, 27 August 2020

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Revenue</b>	6(b)	<b>101,536</b>	172,309
<b>Cost of sales</b>		<b>(42,023)</b>	(65,731)
<b>Gross profit</b>		<b>59,513</b>	106,578
Other gains/(losses)	7	<b>116,511</b>	(1,898)
Fair value (loss)/gain on investment properties	15	<b>(13,987)</b>	540
Selling and marketing expenses		<b>(46,522)</b>	(50,226)
General and administrative expenses		<b>(33,111)</b>	(30,798)
Provision for impairment loss recognised in respect of trade receivables	18	<b>(6,344)</b>	(4,803)
Research and development expenses		<b>(10,694)</b>	(9,781)
<b>Operating profit</b>		<b>65,366</b>	9,612
Finance cost	8	<b>(9,267)</b>	(14,666)
Share of result of an associate		<b>79,084</b>	67,355
<b>Profit before income tax</b>	9	<b>135,183</b>	62,301
Income tax credits/(expenses)	10	<b>5,968</b>	(2,441)
<b>Profit for the period</b>		<b>141,151</b>	59,860
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		<b>(6,320)</b>	(1,235)
Share of exchange differences reserve of an associate		<b>28,883</b>	7,764
Reclassification from exchange differences reserve to profit or loss on			
— Deemed disposal of an associate		<b>(23)</b>	(19)
— Disposal of interest in an associate		<b>1,464</b>	—
Other comprehensive income for the period		<b>24,004</b>	6,510
<b>Total comprehensive income for the period</b>		<b>165,155</b>	66,370

CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Profit attributable to:</b>			
Owners of the Company		<b>141,153</b>	59,869
Non-controlling interests		<b>(2)</b>	(9)
		<b>141,151</b>	59,860
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>165,157</b>	66,379
Non-controlling interests		<b>(2)</b>	(9)
		<b>165,155</b>	66,370
<b>Earnings per share attributable to owners of the Company for the period</b> (expressed in RMB cents per share)			
<b>Basic earnings per share</b>	11	<b>8.99</b>	3.82
<b>Diluted earnings per share</b>	11	<b>8.99</b>	3.82

**CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION**

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	716,422	725,214
Right-of-use assets	14	22,849	23,027
Investment properties	15	262,506	276,493
Intangible assets	16	179,506	181,113
Interest in an associate	17	3,199,388	3,699,401
Deferred income tax assets		13,659	9,174
Long-term prepayments		24,020	23,552
Trade receivables	18	2,800	11,200
		<b>4,421,150</b>	4,949,174
<b>Current assets</b>			
Inventories		39,988	36,384
Amount due from an associate		27,507	27,449
Trade and other receivables	18	157,346	206,225
Cash and cash equivalents		290,618	132,598
		<b>515,459</b>	402,656
<b>Total assets</b>		<b>4,936,609</b>	5,351,830
<b>Current liabilities</b>			
Amount due to an associate		27,799	28,086
Trade and other payables	19	99,842	98,498
Lease liabilities		2,604	2,545
Bank borrowings	20	10,000	587,071
Tax payables		2,552	5,925
<b>Total current liabilities</b>		<b>142,797</b>	722,125
<b>Net current assets/(liabilities)</b>		<b>372,662</b>	(319,469)



CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		3,000	3,727
Deferred government grants		17,168	17,489
<b>Total non-current liabilities</b>		<b>20,168</b>	21,216
<b>NET ASSETS</b>		<b>4,773,644</b>	4,608,489
<b>Equity</b>			
Share capital	21	965	965
Share premium		1,492,937	1,492,937
Other reserves		527,989	503,985
Retained earnings		2,751,914	2,610,761
<b>Equity attributable to owners of the Company</b>		<b>4,773,805</b>	4,608,648
<b>Non-controlling interests</b>		<b>(161)</b>	(159)
<b>TOTAL EQUITY</b>		<b>4,773,644</b>	4,608,489

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 21)	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
<b>Balance at 1 January 2020</b>	965	1,492,937	503,985	2,610,761	4,608,648	(159)	4,608,489
<b>Comprehensive income</b>							
Profit for the period	—	—	—	141,153	141,153	(2)	141,151
<b>Other comprehensive income</b>							
Currency translation differences	—	—	(6,320)	—	(6,320)	—	(6,320)
Share of exchange differences reserve of an associate	—	—	28,883	—	28,883	—	28,883
Reclassification from exchange differences reserve to profit or loss on deemed disposal of an associate	—	—	(23)	—	(23)	—	(23)
Reclassification from exchange differences reserve to profit or loss on disposal of interest in an associate	—	—	1,464	—	1,464	—	1,464
<b>Total comprehensive income</b>	—	—	24,004	141,153	165,157	(2)	165,115
<b>Balance at 30 June 2020 (unaudited)</b>	965	1,492,937	527,989	2,751,914	4,773,805	(161)	4,773,644

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 21)	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
<b>Balance at 1 January 2019</b>	965	1,492,937	471,602	2,528,779	4,494,283	(146)	4,494,137
<b>Comprehensive income</b>							
Profit for the period	—	—	—	59,869	59,869	(9)	59,860
<b>Other comprehensive income</b>							
Currency translation differences	—	—	(1,235)	—	(1,235)	—	(1,235)
Share of exchange differences reserve of an associate	—	—	7,764	—	7,764	—	7,764
Reclassification from exchange differences reserve to profit or loss on deemed disposal of an associate	—	—	(19)	—	(19)	—	(19)
<b>Total comprehensive income</b>	—	—	6,510	59,869	66,379	(9)	66,370
<b>Balance at 30 June 2019 (unaudited)</b>	965	1,492,937	478,112	2,588,648	4,560,662	(155)	4,560,507

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	42,654	25,661
Income tax paid	(2,617)	(4,028)
<b>Net cash generated from operating activities</b>	<b>40,037</b>	21,633
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(1,540)	(1,353)
Payments for development costs of construction in progress	(4,874)	(26,263)
Proceeds from disposal of interest in an associate	714,232	—
Proceeds from disposal of property, plant and equipment	4,510	124
Interest received	1,591	550
<b>Net cash generated from/(used in) investing activities</b>	<b>713,919</b>	(26,942)
<b>Cash flows from financing activities</b>		
Proceeds from exercise of share options	—	62
Repayment of lease liabilities	(186)	(101)
Increase in bank borrowings	—	8,931
Repayment of bank borrowings	(585,401)	—
Interest paid on bank borrowings	(10,437)	(15,212)
<b>Net cash used in financing activities</b>	<b>(596,024)</b>	(6,320)
<b>Net increase/(decreased) in cash and cash equivalents</b>	<b>157,932</b>	(11,629)
Cash and cash equivalents at beginning of period	132,598	98,964
Exchange gains	88	788
<b>Cash and cash equivalents at end of period</b>	<b>290,618</b>	88,123

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 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 referred to as the “**Group**”) are principally engaged in the development, manufacturing and sale of advanced infusion set products (the “**Infusion Set Business**”) in the People’s Republic of China (the “**PRC**”).

## 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of Rules Governing the Listing of Securities on the Main Board of the Stock Exchange. These condensed consolidated interim financial statements were authorised for issue on 27 August 2020.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements.

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

These condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2019 annual consolidated financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2019 annual consolidated financial statements.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA. BDO Limited’s independent review report to the board of directors is included on page 19.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 3. SIGNIFICANT EVENTS

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, the Group has experienced significant disruption to its operations in the following respects:

- Interruptions to the infusion-set business operated by the Group;
- Decrease in hospital traffic in the PRC;
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the Group's primary products.

The significant events and transactions that have occurred since 31 December 2019 relate to the effects of the global pandemic on the Group's condensed consolidated interim financial statements for the six months ended 30 June 2020 and are summarised as follows.

#### (a) Decrease in sales and cash flows, including impairment of goodwill

As disclosed in Note 6(b), the revenue streams from infusion set business have experienced significant reductions since the pandemic's effects became widespread. The Group considered the reduced sales and reductions in budgeted revenue as indicators of impairment, and therefore determined the recoverable amount for all of its cash generating units. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use was higher in all cases due to the nature of the assets included in the carrying amount of cash generating units.

The impairment assessment for the infusion set business cash-generating unit ("CGU") are disclosed in Note 16.

#### (b) Provision for impairment loss on trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses ("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 C represents distributor customers who identified as having significant increase in risk of default and Group D represents three credit-impaired customers with significant risk of default.

For the six months ended 30 June 2020, the Group recorded an additional allowance for expected credit losses of RMB6,344,000, reflecting a reduction in the credit quality of its trade receivables as a result of the COVID-19 global pandemic. The management has incorporated their judgements on deciding forward-looking factors in the calculation of expected credit losses. Management's judgements regarding expected credit losses are based on the facts available to management currently. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Group's customers and their ability to meet their financial obligations to the Group is difficult to predict. As a result, the Group's judgements and associated estimates of expected credit losses may ultimately prove, with the benefit of hindsight, to be incorrect.

For detail assessment of loss allowances for trade receivables, please refer to Note 18.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 4. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, as described therein.

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

Amendments to HKFRS 3

Definition of a Business

Amendments to HKFRS 7, HKFRS 9 and HKAS 39

Interest Rate Benchmark Reform

Amendments to HKAS 1 and HKAS 8

Definition of Material

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2019 annual financial statements.

However, as disclosed in Note 3, the effects of COVID-19 have required significant judgments and estimates to be made, including calculating the recoverable amount for cash generating units that exhibit indicators of impairment as at the period end, and determining the amount of goodwill impairment attributable to the cash generating units.

Additionally, while the changes in the following estimates and judgments have not had a material impact on the Group, the effects of COVID-19 have required revisions to: estimates of expected credit losses attributable to accounts receivable arising from sales to customers on credit terms, including the incorporation of forward-looking information to supplement historical credit loss rates.

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**6. SEGMENT REPORTING****(a) Business segments**

The chief operating decision-makers have been identified as the executive director 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 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.

**(b) Disaggregation of revenue**

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

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Customer segments</b>		
Revenue from hospitals	12,549	33,221
Revenue from medical products distributors	88,987	139,088
	<b>101,536</b>	172,309
<b>Timing of revenue recognition</b>		
Recognised at a point of time	101,536	172,309

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

**7. OTHER GAINS/(LOSSES)**

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Government grants	3,292	2,784
Rental income	5,996	5,745
Loss on disposal of property, plant and equipment	(1,536)	(445)
Loss on guarantee liability (Note (a))	(366)	(1,190)
Loss on deemed disposal of an associate	(18,127)	(8,795)
Gain on disposal of interest in an associate (Note 17)	122,938	—
Written off of property, plant and equipments	(1,926)	—
Others	6,240	3
Other gains/(losses)	<b>116,511</b>	(1,898)

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### 7. OTHER GAINS/(LOSSES) (Continued)

- (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"). Based on the judgement from the Supreme People's Court of the PRC in 2018, Xuzhou Yijia is liable to the principal (RMB10 million) and accumulated interest for a defaulted loan granted by a bank, which Xuzhou Yijia had undertaken a joint guarantee with another independent guarantor. At the date of approval of the condensed interim consolidated financial statements, the Group is considering to make claims against the other joint guarantor and the former owners of Xuzhou Yijia to claim such loss.

After assessing the risk relating to the joint guarantee liability, the directors of the Company accrued a provision to guarantee liability which included the principal and accumulated interest of the above loan in 2018. The loss recognised during the period ended 30 June 2019 and 2020 represents the interest for the period on the guarantee liability.

### 8. FINANCE COST — NET

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Finance income</b>		
Interest income on short-term bank deposits	1,591	550
<b>Finance costs</b>		
Interest expenses on lease liabilities	(5)	(18)
Interest expenses on bank borrowings	(10,437)	(15,194)
Net foreign exchange loss	(416)	(4)
	(10,858)	(15,216)
<b>Finance cost — net</b>	<b>(9,267)</b>	<b>(14,666)</b>

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**9. PROFIT BEFORE INCOME TAX**

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Provision for impairment loss on trade receivables	6,344	4,803
Bad debt written off	4,427	—
Amortisation of intangible assets	1,607	1,693
Depreciation of property, plant and equipment	13,960	11,814
Depreciation of right-of-use-assets		
— Properties	177	97
— Leasehold land and land use right	241	367

**10. TAXATION**

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

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current income tax		
— PRC income tax for the period	—	(5,406)
— Overprovision of PRC income tax of prior year	756	—
Deferred income tax	5,212	2,965
Income tax credits/(expenses)	5,968	(2,441)

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

**(a) Cayman Islands profits tax**

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

**(b) Hong Kong profits tax**

Companies incorporated in Hong Kong are subject to the Hong Kong profits tax at a rate of 16.5% (six months ended 30 June 2019: 16.5%).



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### 10. TAXATION (Continued)

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

Under the Law of the PRC on CIT (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2019: 25%).

Two subsidiaries (six months ended 30 June 2019: two subsidiaries) of the Group have been qualified as "High and New Technology Enterprises" under the CIT Law. Therefore, they were entitled to a preferential income tax rate of 15% on their estimated assessable profits during the period (six months ended 30 June 2019: 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.

### 11. 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 period ended 30 June 2020.

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit attributable to owners of the Company	<b>141,153</b>	59,869
Weighted average number of ordinary shares in issue (thousands)	<b>1,569,246</b>	1,569,246
Basic earnings per share (RMB cents per share)	<b>8.99</b>	3.82

#### (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.

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**11. EARNINGS PER SHARE (Continued)****(b) Diluted (Continued)**

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

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit attributable to owners of the Company	141,153	59,869
Weighted average number of ordinary shares in issue (thousands)	1,569,246	1,569,246
Adjustments for:		
— Share options (thousands)	26	23
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,569,272	1,569,269
Diluted earnings per share (RMB cents per share)	8.99	3.82

**12. DIVIDENDS**

The board does not propose an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

**13. PROPERTY, PLANT AND EQUIPMENT**

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>At beginning of period</b>	<b>725,214</b>	709,348
Additions	15,023	31,617
Disposals	(9,855)	(5,507)
Depreciation	(13,960)	(11,814)
<b>At end of period</b>	<b>716,422</b>	723,644

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### 14. RIGHT-OF-USE ASSETS

The recognised right-of-use assets relate to the following types of assets:

	Leasehold land and land use rights RMB'000	Properties RMB'000	Total RMB'000
<b>At 31 December 2019 (Audited)</b>	22,929	98	23,027
Additions	—	240	240
Depreciation for the period	(241)	(177)	(418)
<b>At 30 June 2020 (Unaudited)</b>	22,688	161	22,849

### 15. INVESTMENT PROPERTIES

	RMB'000
<b>FAIR VALUE</b>	
At 31 December 2019 (Audited)	276,493
Fair value loss	(13,987)
<b>At 30 June 2020 (Unaudited)</b>	262,506

The above investment properties mainly comprising factories and offices, are held by the Group for long-term rental yields, which are located at No. 23 Panlong West Road, Pinggu District, Beijing, with a construction area of approximately 39,714.5 square meters. The Group's property interest held to earn rentals is measured using the fair value model and is classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 30 June 2020 was approximately RMB262,506,000 (31 December 2019: RMB276,493,000).

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:

	30 June 2020	31 December 2019
Growth rate of revenue	-4.0% to 4.0%	4.0%
Discount rate	7.1%	7.1%

The fair value of the investment property at 30 June 2020 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 period.

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## 16. INTANGIBLE ASSETS

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>At beginning of period</b>	<b>181,113</b>	184,437
Amortisation charge	<b>(1,607)</b>	(1,693)
<b>At end of period</b>	<b>179,506</b>	182,744

## 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% (31 December 2019: 2.5%), which does not exceed the long-term growth rate for the medical device industry in the PRC.

	30 June 2020	31 December 2019
Gross profit margin	<b>57%</b>	61.3%
Operating margin	<b>17% to 36%</b>	23% to 36%
Discount rate	<b>12.6%</b>	15.2%

The cash flow forecasts for the infusion set business CGU are based on budgets for the next 5 years, with a terminal value thereafter. The cash flows were probability weighted based on the following scenarios to account for the impact of COVID-19 as discussed in Note 3:

1. Positive case (50% weighting): Subject to the travel restriction and reduction in customer demands, revenue generated from infusion set business can be recovered to its normal level recorded in 2019 before the COVID-19 in the financial year of 2021.
2. Negative case (50% weighting): Subject to the travel restriction and reduction in customer demands, revenue generated from infusion set business can only be gradually returning to its normal performance by 2022.

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 believes that any reasonably possible change in any of these assumption would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. As at 30 June 2020, management determines that there is no impairment on goodwill.

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### 17. INTEREST IN AN ASSOCIATE

As at 31 December 2019, the Group held 16.44% equity interest in China Biologic Products Holdings, Inc. (“**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 the executive director of the Company is one of the six directors of CBPO. 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.

During the period from January 2020 to April 2020, the equity interest held by the Group in CBPO was diluted from 16.44% to 16.40% due to exercise of share options by grantee and issuance of share capital by CBPO. The dilution of interest resulted in a deemed disposal of interest in an associate and a loss of RMB8,138,000 is recognised in “Other gains/(losses)” and a gain of RMB17,000 is recognised as other comprehensive income in the consolidated statement of comprehensive income.

On 8 May 2020, in accordance with a share purchase agreement (the “**Share Purchase Agreement**”), the Company sold 1,000,000 ordinary shares to an independent third party for a cash consideration of US\$101 million. The sale price is subject to price adjustment mechanism which has not been triggered up to the date of this report. The transaction did not affect the degree of significant influences to CBPO as the Company still has power to appoint one of the six directors of CBPO. The disposal of interests in CBPO resulted a gain of RMB122,938,000 recognised in “Other gains/(losses)” and a gain of RMB1,464,000 is recognised as other comprehensive income in the condensed consolidated statement of comprehensive income. The interest in CBPO reduced from 16.40% to 13.84% as at the disposal date.

During the period from May 2020 to June 2020, the equity interest held by the Group in CBPO was diluted from 13.83% to 13.79% due to exercise of share options by grantee and issuance of share capital by CBPO. The dilution of interest resulted in a deemed disposal of interest in an associate and a loss of RMB9,989,000 is recognised in “Other gains/(losses)” and a loss of RMB40,000 is recognised as other comprehensive income in the consolidated statement of comprehensive income.

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Share of net assets	<b>2,030,381</b>	2,311,883
Goodwill	<b>1,169,007</b>	1,387,518
	<b>3,199,388</b>	3,699,401



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**17. INTEREST IN AN ASSOCIATE (Continued)**

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

Name of company	Form of business structure	Place of incorporation/ operations	Percentage of ownership interest/ voting rights/profit share	Principal activity
China Biologic Products Holdings, Inc.	Corporation	Cayman Islands/ PRC	13.79% (31 December 2019:16.44%)	Research, development, manufacturing and sales of human plasma-based biopharmaceutical products

The summarised movements of interest in an associate during the period are as below:

	RMB'000 (Unaudited)
At 1 January 2020	3,699,401
Share of result of an associate	79,084
Share of exchange differences of an associate	28,883
Disposal of interest in an associate	(589,830)
Deemed disposal of interest in an associate	(18,150)
	3,199,388

The gain on disposal of interest in CBPO is calculated as below:

	RMB'000 (Unaudited)
Purchase consideration received	714,232
Share of interest disposed of	(589,830)
Gain on disposal of interest in an associate	124,402

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18. TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables (i)	121,839	163,639
Bills receivable (ii)	1,225	6,303
Prepayments and deposits	2,339	7,127
Value added tax recoverable	16,594	15,970
Other receivables	18,149	24,386
	<b>160,146</b>	217,425
Trade receivables-non-current	<b>(2,800)</b>	(11,200)
	<b>157,346</b>	206,225

- (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:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Up to 3 months	17,246	42,948
3 months to 6 months	12,959	28,249
6 months to 12 months	38,902	28,245
1 year to 2 years	19,180	20,096
2 years to 3 years	33,552	44,101
	<b>121,839</b>	163,639

The Group and the Company recognised impairment loss based on the expected credit loss model.

Trade and bills receivables are due within 180 days from the date of billing. The Group does not hold any collateral as security.

**Non-current portion of the trade receivables**

During the year ended 31 December 2019, the Group has entered into repayment agreements (the "Agreements") individually with three major customers (the "Customers") who owed total amount of approximately RMB90,389,000 to the Group. Pursuant to the Agreements, approximately RMB28,000,000 (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 RMB1,400,000 for a period within two years commencing from January 2020. During the six months ended 30 June 2020, the repayments made by the Customers for the Overdue Debts have been consistent with the agreed schedule.

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**18. TRADE AND OTHER RECEIVABLES (Continued)**

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

(iii) Impairment assessment

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 C represents distributor customers who identified as having significant increase in risk of default and 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:

30 June 2020	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	4.47	2.07	28.97	32.45
Gross carrying amount	27,624	33,567	11,611	80,428
Loss allowance	1,236	695	3,364	26,096

31 December 2019	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	3.85	1.61	—	24.62
Gross carrying amount	54,150	44,145	—	90,391
Loss allowance	2,084	709	—	22,254

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.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	RMB'000
Balance at 1 January 2019	9,550
Provision for impairment losses recognised during the year	15,497
<b>Balance at 31 December 2019</b>	<b>25,047</b>
Provision for impairment losses recognised during the year	6,344
<b>Balance at 30 June 2020</b>	<b>31,391</b>

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19. TRADE AND OTHER PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	15,920	13,348
Salary and staff welfare payables	17,495	22,545
Advances from customers	13,037	13,266
Deposits received	3,973	2,411
Value added tax and other taxes	851	4,038
Professional service fee	1,431	3,269
Provision for loss from guarantee liability (Note 6(a))	18,110	17,744
Deferred government grants-current portion	442	442
Other payables	28,583	21,435
	<b>99,842</b>	98,498

As at 30 June 2020 and 31 December 2019, except for the advances from customers, deposits received, value added tax and other taxes and deferred government grants 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.

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Up to 6 months	8,298	10,592
6 months to 12 months	5,160	1,015
Over 1 year	883	804
2 years to 3 years	669	361
Over 3 years	910	576
	<b>15,920</b>	13,348

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## 20. BANK BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Current</b>		
Bank loan due for repayment within one year (Note (a))	—	577,071
Trade finance borrowings due to repayment within one year which contained a repayable on demand clause (Note (b))	10,000	10,000
	<b>10,000</b>	587,071

Notes:

- (a) 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 was subsequently extended 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.

The loan was interest bearing at LIBOR plus 2.685% per annum and secured by 3,162,854 shares of CBPO. Following the disposal of shares of CBPO on 8 May 2020 (Note 17), the Company has repaid the loan in full.

- (b) The bank borrowings represent trade finance advanced from the Bank of Beijing. As at 30 June 2020, bank facilities in total of RMB10,000,000 were granted to the Group's subsidiary, Beijing Fert Technology Co., Ltd. by the Bank of Beijing, and was utilised by the Company as at 30 June 2020.

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the Company's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Company was to breach the covenants, the drawn down facilities would become repayable on demand.

The borrowing is secured by corporate guarantee and bears interest at 0.91% plus the prime rate of the Central Bank in the PRC. The loan is carried at amortised cost.



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**21. SHARE CAPITAL**

	Number of ordinary shares	Share capital RMB'000
<b>Issued and fully paid:</b>		
Balance at 1 January 2019, 31 December 2019 and 30 June 2020	1,569,246,098	965

**22. CAPITAL COMMITMENTS**

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Commitments for the acquisition of: Property, plant and equipment	24,730	30,416

**23. RELATED PARTY DISCLOSURES**

**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 period was as follows:

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Salaries and other allowances	1,102	1,477

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.

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**24. 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:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
<b>Financial assets</b>		
Financial assets at amortised cost	<b>459,338</b>	354,375
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	<b>121,942</b>	696,043

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 2019 and 30 June 2020. 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.