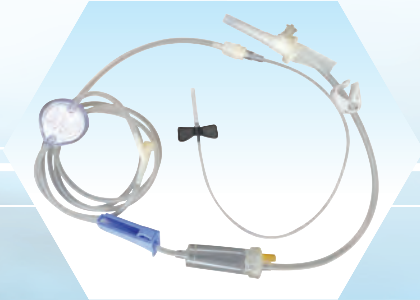
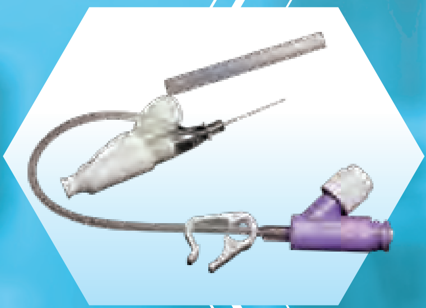
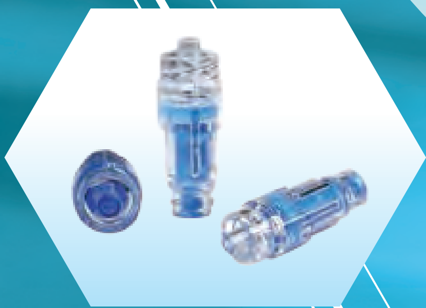
PW MEDTECH GROUP LIMITED
普华和顺集团公司

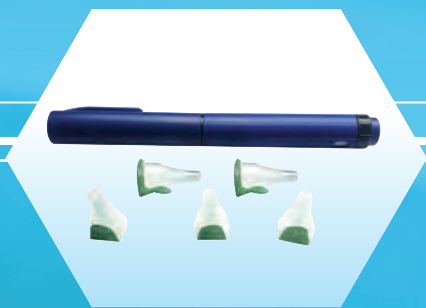
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01358.HK)

ANNUAL REPORT 2019









A True Pioneer in China's Medical Device Industry

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

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CORPORATE PROFILE

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

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

Currently the Group has a leading market position in advanced infusion set business. The Group produces advanced infusion sets including non-PVC-based infusion sets, precision filter infusion sets, light resistant infusion sets and intravenous cannula products. The Group is one of the first manufacturers which obtained the approval of the CFDA to manufacture precision filter infusion sets, and one of the first three manufacturers approved by the CFDA to manufacture non-PVC-based infusion sets. The Group also holds patented double-layer tubing design for non-PVC-based infusion sets.

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

DEFINITIONS

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

"2020 AGM"	the AGM to be held on June 16, 2020
"AGM"	annual general meeting of the Company
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Cayman Islands Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CBPO"	China Biologic Products Holdings, Inc., a Cayman Islands exempted company, which changed its domicile from Delaware to the Cayman Islands on July 21, 2017 and has been listed on the NASDAQ Stock Market since 2009 (NASDAQ ticker: CBPO)
"Centurium"	Beachhead Holdings Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and the principal business activity of which is investment holding
"CEO"	chief executive officer of the Company
"CFDA"	the China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局)
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "Group", "PW Medtech" or "we"	PW Medtech Group Limited (普华和顺集团公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011 and except where the context indicated otherwise its subsidiaries
"Company Secretary"	the company secretary of the Company
"DEHP"	Di-2-ethylhexyl phthalate, the most common number of the class of phthalates, which is used as plasticizers in polymer products to make plastic flexible

DEFINITIONS

"Director(s)"	the director(s) of the Company
"Fert Technology"	Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司), a limited liability company established under the laws of the PRC on September 23, 1997 and indirectly wholly owned by the Company
"Guide"	the "Environmental, Social and Governance Reporting Guide" as contained in Appendix 27 to the Listing Rules
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Infusion Set Business"	the R&D, manufacturing and sale of advanced infusion set products and intravenous cannula products
"Listing Date"	November 8, 2013, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Orthopedic Implant Business"	the R&D, manufacturing and sale of orthopedic implant products
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on July 3, 2013 and amended on October 14, 2013
"Prospectus"	the prospectus of the Company dated October 28, 2013
"R&D"	research and development
"Regenerative Medical Biomaterial Business"	the R&D, manufacturing and sale of regenerative medical biomaterial products
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value US$0.0001 each in the issued share capital of the Company

DEFINITIONS

"Share Exchange Agreement"	the share exchange agreement entered into between the Company and CBPO on October 12, 2017
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on October 14, 2013
"Share Purchase Agreement"	the share purchase agreement dated September 18, 2019 entered into between the Company and Centurium, pursuant to which the Company has conditionally agreed to sell, and Centurium has conditionally agreed to purchase, 1,000,000 shares of CBPO
"Shareholder(s)"	holder(s) of Shares
"Shenzhen Bone"	Shenzhen Bone Medical Device Co., Ltd. (深圳市博恩醫療器材有限公司), a limited liability company established under the laws of the PRC on November 12, 2002, in which the equity interests of the Company were disposed of in December 2016
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianxinfu"	Tianxinfu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有限公司), a joint stock company established in the PRC on January 18, 2002, in which the equity interests of the Company were disposed of in January 2018
"US$"	United States dollars, the lawful currency of the United States of America
"Walkman Biomaterial"	Tianjin Walkman Biomaterial Co., Ltd. (天津市威曼生物材料有限公司), a limited liability company established under the laws of the PRC on November 8, 2001, in which the equity interests of the Company were disposed of in December 2016
"Xuzhou Yijia"	Xuzhou Yijia Medical Device Co., Ltd. (徐州一佳醫療器械有限公司), a limited liability company established under the laws of the PRC on June 30, 2003 and directly wholly owned by Fert Technology
"%"	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Ms. Yue'e ZHANG *(Chairman and Chief Executive Officer)*

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

CORPORATE INFORMATION

HONG KONG LEGAL ADVISOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 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

MILESTONES

2019	The controlling shareholder increased its shareholding in PW Medtech in January
2018	Immediately upon the completion of the Share Exchange Agreement with CBPO, the Group became the single largest shareholder of CBPO, and Tianxinfu became a subsidiary of CBPO
2017	Entered into the Share Exchange Agreement with CBPO to subscribe for CBPO shares by way of exchanging the Group's equity interest in Tianxinfu with CBPO
2016	Disposed of equity interests in Walkman Biomaterial and Shenzhen Bone, two subsidiaries engaging in Orthopedic Implant Business
2014	Acquired Tianxinfu and entered into Regenerative Medical Biomaterial Business
2013	• Acquired Xuzhou Yijia and further expanded into Infusion Set Business • Acquired Shenzhen Bone and expanded into Joint Products • Listed on The Main Board of the Stock Exchange on November 8, 2013
2011	Acquired Fert Technology and entered into Infusion Set Business
2008	Acquired Walkman Biomaterial and entered into Orthopedic Implant Business
1997	Fert Technology was founded

KEY FINANCIALS

- Revenue from continuing operations for the year ended December 31, 2019 amounted to approximately RMB362.2 million, representing an increase of 16.5% from approximately RMB310.8 million recorded in 2018.

- Gross profit from continuing operations for the year ended December 31, 2019 amounted to approximately RMB222.1 million, representing an increase of 13.8% from approximately RMB195.2 million recorded in 2018.

- Profit attributable to owners of the Company from continuing operations for the year ended December 31, 2019 amounted to approximately RMB82.0 million, representing a decrease of 28.6% from approximately RMB114.8 million recorded in 2018.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Revenue*	515,587	319,583	286,913	310,813	**362,183**
Profit before income tax*	245,377	127,843	45,081	126,575	**85,808**
Profit for the year*	204,227	107,633	33,777	115,511	**81,969**
Profit attributable to:*					
Owners of the Company	204,227	109,136	33,119	114,812	**81,982**
Non-controlling interests	—	(1,503)	658	699	**(13)**

ASSETS AND LIABILITIES

	As at 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Total assets	2,539,276	2,487,111	3,168,653	5,194,970	**5,351,830**
Total liabilities	240,611	153,109	225,139	700,833	**743,341**
Equity attributable to:					
Owners of the Company	2,297,498	2,334,338	2,759,853	4,494,283	**4,608,648**

* 2016, 2017, 2018 and 2019 figures are presented as continuing operations. 2015's figures are presented as continuing and discontinued operations, excluding the Orthopedic Implant Business.

CHAIRMAN'S STATEMENT

It is a great honor for me, on behalf of the Board, to present the annual report of the Company for the financial year ended December 31, 2019.

In 2019, the global economic conditions remained tense. As a result of the prolonged US-China trade war and sluggish domestic demand, the growth rate of China's economy was lower than expected. At the beginning of 2020, the COVID-19 epidemic spread rapidly in China, which is bound to have a negative impact on the short-term economic activities in the country.

Looking back to 2019, despite certain challenges in the development of the medical device industry, there were still sound opportunities for development in the industry supported by the joint efforts of the relevant government authorities and the industry. With rising household consumption, enhanced healthcare awareness and growing aging population in the society, the demand for medical devices continues to grow. According to the *Analysis Report on the Consumption Survey and Investment Opportunities of China's Medical Device Industry (2020-2026)* (《2020-2026年中國醫療器械行業市場消費調查及投資機會分析報告》), as of the end of 2018, the market size of the China's medical device industry reached RMB530.4 billion, and was expected to reach RMB628.5 billion in 2019.

Although the medical device industry in China is currently growing fast, the market structure remains imbalanced with most of the medical device companies serving mid to low-end market. According to the *Research Report on Development Prospect and Investment Opportunity of China's Medical Device Industry of 2020* (《2020年中國醫療器械行業發展前景及投資機會研究報告》), the size of mid to low-end market accounts for approximately 75% of the current China's medical device industry while high-end medical device market only accounts for approximately 25% and is dominated by foreign manufacturers. Hence, with the continuous implementation of incentive policies and measures in relation to domestic production and import substitution respectively, there will be ample room for the growth of China's high-end medical device market with considerable market potential in the future.

In order to realize the development of medical device industry from mid to low-end market to high-end market with import substitution, the trend of achieving localization of high-end products with brand names will be irreversible in the industry. A series of policies have been promulgated successively by the government in recent years to encourage medical device innovation so as to promote the technical development and industrial upgrade for the medical device industry. According to *Made in China 2025* (《中國製造2025》), the field of new materials, biopharmaceutical products and advanced medical devices is highlighted as one of the ten priority sectors for development. It also mentioned the need for enhancement of innovation capability and industrialization standards of medical device industry with a view to gradually reducing reliance on imported high-end medical devices. According to *"Healthy China 2030" Planning Outline* (《"健康中國2030"規劃綱要》), in the coming 10 years, the reform of medical device distribution system will be deepened, the safety supervision of medical devices will be reinforced, the development of innovation capabilities of high-end medical devices will be enhanced and localization of medical devices will be pushed forward. In respect of approval procedures for innovative medical devices, the National Medical Products Administration has formulated and implemented special approval procedures, which have accelerated the registration for innovative devices. The medical devices that have been granted PRC patents for inventions, are first-in-class in China, globally leading and significantly valuable in clinical application may be given priority to be approved through the special approval procedures. Since the implementation of the above procedures, the efficient approval process has effectively facilitated the innovation and development of the industry.

As a leader in China's medical device industry, leveraging the strong market demand and favorable policies, the Group actively promotes industrial upgrade, enhances its product innovation and R&D capabilities, and expands production capacities portfolio. With strong sense of social responsibility and mission, the Group has demonstrated its strong commitment to the COVID-19 epidemic prevention and control. At the beginning of 2020, Fert Technology, a medical device company of the Group, has resumed production early after the Chinese New Year holidays, and hence provided sufficient medical supplies to the frontline of this epidemic fight, and has joined hands with people across China to overcome the difficulties and fight the epidemic.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

For the year ended December 31, 2019, the Group's revenue and gross profit from continuing operations were RMB362.2 million and RMB222.1 million, representing an increase of 16.5% and 13.8% from 2018, respectively. The gross profit margin for the year was 61.3%.

As a leading company in China's medical device industry, PW Medtech is principally engaged in R&D, manufacturing and sales of advanced infusion set products with a focus on fast-growing and high-margin segments of China's medical device market. With increasing attention on infusion safety from the market in recent years, coupled with the impact of the recent outbreak of epidemic, we estimate that the demand for advanced infusion sets will increase. Over the years, the Group has maintained its leading position in China's advanced infusion sets market in terms of market share, particularly in those local markets of advanced infusion sets such as Beijing, Heilongjiang, Jiangsu and Hubei. In addition to the continuing efforts in enhancing R&D of advanced infusion set products, the Group also focuses on R&D and sales of cannula products. In view of the upgrade of technology and production process, as well as the increasing demand in the medical market, it is expected that the cannula market in China will maintain a higher growth rate in the coming three years. Meanwhile, the Group has also carried out R&D of medical devices for diabetes and other therapy sectors.

In 2019, Fert Technology continued to make greater efforts in the R&D of various therapy sectors, such as infusion sets and cannulas, and developed new product lines through R&D based on the infusion sets and cannula products which have been launched in the market. With special materials and process, needleless connectors launched during the year are compatible with the majority of the various types of infusion sets and cannula products in the market. Apart from the needleless connectors, the newly developed DEHP-free intestinal feeding device and the first blood transfusion set with two-layer structure of the tube in China had been launched during the year, which further expanded the Group's product line of the infusion therapy sector. In the future, PW Medtech will continue to focus on the infusion therapy sector and launch new products for other therapy sectors so as to contribute to the safety and high efficiency of medical care.

Apart from the advanced therapy consumables sector mentioned above, the Group has also expanded into the diabetes sector. Diabetes has become a worldwide common chronic disease and there are a large number of diabetes patients in China. With continuous economic development and aging population, the number of diabetes patient will continue to increase. Insulin injection is currently one of the most effective treatments for diabetes, and the demand for medical devices for treatment of diabetes is steadily growing. Therefore, the Group has rolled out newly developed products such as insulin injection needles and insulin injection pens, marking a successful step of the Group into the diabetes drug sector. Our insulin injection needles offer a wide range of specifications that can satisfy the needs of diabetes patients with different body features and can reduce their pain significantly. The insulin injection pens adopt medical polymer materials and are compatible with the mainstream models of insulin injection pen in the market. Looking forward, the Group will continue to focus on the diabetes sector and the R&D of other high value-added medical devices.

At the beginning of 2019, the relocation of the headquarter of the Group and Fert Technology, a subsidiary of the Company, to a new industrial park in Pinggu was successfully completed. The industrial park is located at the southwest of Pinggu District, Beijing, the PRC, a core district of Beijing-Tianjin-Hebei metropolitan area and a central location in Bohai Economic Rim. The new plant has enhanced both production capacity and working efficiency of the Group so as to meet the continuous growth of market demand in the future. In April 2019, the new sterilization station of the Group in Pinggu officially commenced operation and opened for business. The sterilization station is large in size and equipped with advanced environmental facilities. It occupies a site area of 5,600 square meters and has a sterilization capacity of 150 cubic meters. It is also equipped with spray and shower column for acidic cleaning, which will be able to provide professional sterilization devices for medical companies operating in the industrial park in the future. At the beginning of 2020, the sterilization station also provided sterilization services to contribute to the prevention and control of the epidemic.

In addition to focusing on the organic growth of its business segments, the Group also continued to strategically integrate its resource advantages through mergers and acquisitions and maximize the synergies among its R&D, distribution network and business operation, thereby providing strong momentum for the development of the Group into a comprehensive platform for high-valued consumables in the medical device industry in China. In September 2019, the Group entered into the Share Purchase Agreement with Centurium, pursuant to which the Group has conditionally agreed to sell 1 million shares in CBPO (NASDAQ ticker: CBPO), an associate of the Company, to Centurium at a total consideration of US$101.0 million or higher, depending on whether the price adjustment terms in the Share Purchase Agreement will be trigged. In addition, as the second largest shareholder of CBPO, the Group has entered into a consortium agreement with Centurium and other consortium members for the formation of a consortium to proceed with the proposed privatization of CBPO. The Group believes that the privatization will be beneficial for CBPO to focus on long term benefit and sustainable development by reducing listing compliance cost, thus enhancing the investment value of CBPO held by the Group. CBPO is a leading biopharmaceutical company principally engaged in the research, development, manufacturing and sales of blood-related biopharmaceutical products, or blood products, in China. Proceeds from the disposal will be used towards, among others, the repayment of the Company's debt financing, capital expenditure and working capital. The Group believes that the demand for blood products in China will continue to increase in the future and there will be an enormous growth potential for the industry. Accordingly, the disposal and the privatization proposal, as a whole, will offer an opportunity to enhance the Company's interest in CBPO and further optimize the Company's layout in high growth businesses.

Moreover, on 24 January 2019, Cross Mark Limited, a controlling Shareholder, further acquired 28 million Shares representing approximately 1.78% of the total Shares as at the date of the transaction, signifying the controlling Shareholder's trust in the Company's management and its recognition to the future development of the Company.

FUTURE PROSPECTS

In light of the increasing market demand and supporting policy benefits, the Group will continue to focus on the development of advanced infusion sets and intravenous cannula business by leveraging its strong R&D capability. As a leading company in the infusion therapy sector, the Group will strive to provide safer and more efficient solutions for the market. In the future, the Group will also continue to step up its efforts in the R&D of medical devices for the diabetes therapy sector and other therapy sectors. Capitalizing on opportunities available in the industry, the Group will strive to further optimize its business layout through the development strategy of mergers, acquisitions and integration of advantages. It will also scale up its investment in R&D with a view to developing comprehensive and quality product portfolio at competitive prices so as to further diversify its businesses, consolidate its leading position in the market and realise rapid growth.

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt gratitude to all the respected Shareholders. PW Medtech Group Limited will strive to seize the opportunities presented by the development of the medical device industry to achieve sustainable business growth, improve management and operation efficiency, and accelerate the ramping-up of comprehensive strengths, with a view to maximizing the return to the Shareholders.

Chairman of the Board
Yue'e ZHANG

March 27, 2020

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS

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

Name	Age	Position	Date of Appointment as Director
Executive Director			
Ms. Yue'e ZHANG (張月娥)(Note)	56	CEO, Chairman and executive Director	May 13, 2011
Non-executive Directors			
Mr. JIANG Liwei (姜黎威)(Note)	52	Non-executive Director	June 21, 2013
Mr. LIN Junshan (林君山)	57	Non-executive Director	June 21, 2013
Independent non-executive Directors			
Mr. WANG Xiaogang (王小剛)	46	Independent non-executive Director	October 14, 2013
Mr. ZHANG Xingdong (張興棟)	82	Independent non-executive Director	October 14, 2013
Mr. CHEN Geng (陳庚)	49	Independent non-executive Director	October 14, 2013

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

Executive Director

Ms. Yue'e ZHANG (張月娥), aged 56, is the CEO, the Chairman, an executive Director and the chairman of the Nomination Committee. She is also a director of certain subsidiaries of the Company. In addition to her roles with the Group, Ms. ZHANG currently serves as a director of CBPO (NASDAQ: CBPO) and the executive director of WP Medical Technologies, Inc. She is also one of the early founders of Lepu Medical Technology (Beijing) Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300003). Ms. ZHANG has worked in the medical device industry for nearly 30 years and has accumulated considerable experience in product design, R&D, and management and investment. Ms. ZHANG graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in materials science and engineering in July 1985, and later received two master's degrees relating to materials science and management from Xi'an University of Technology (西安理工大學) and Florida International University in July 1988 and April 1996, respectively. Ms. ZHANG is the daughter of Ms. Yufeng LIU (the ultimate controlling Shareholder who wholly owns Cross Mark Limited, the controlling Shareholder).

Non-executive Directors

Mr. JIANG Liwei (姜黎威), aged 52, is a non-executive Director. Mr. JIANG has over 20 years of management experience in the medical device industry. Prior to joining the Group in February 2013, Mr. JIANG was the head of China for Biomet China Co., Ltd. (邦美(上海)商貿有限公司) from 2008 to 2013 and the general manager of Trauson (China) Medical Instrument Co., Ltd. (創生醫療器械(中國)有限公司) from 2005 to 2008. He also held various management positions with Zimmer (Shanghai) Medical International Trading Co., Ltd. (捷邁(上海)醫療國際貿易有限公司) from 1999 to 2005 and Smith & Nephew Medical (Shanghai) Limited (施樂輝醫用產品國際貿易(上海)有限公司) from 1997 to 1999. Mr. JIANG was a resident doctor for a few years upon graduation from Shanghai Second Medical University (上海第二醫科大學) (now School of Medicine, Shanghai Jiaotong University (上海交通大學醫學院)) with a bachelor's degree in clinical medicine in July 1991.

Mr. LIN Junshan (林君山), aged 57, is a non-executive Director and a member of both the Audit Committee and the Remuneration Committee. Mr. LIN joined the Group in April 2010. He is also a director of a subsidiary of the Company. Before joining the Group, Mr. LIN was a chief engineer and professoriate senior engineer of CSR Qingdao Sifang Co., Ltd. (南車青島四方機車車輛股份有限公司) (formerly known as "CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.") from January 2007 to June 2013. After his graduation from Xi'an Jiaotong University (西安交通大學) with a doctorate degree in materials science and engineering in March 1990, Mr. LIN held various research positions in Shanghai Jiaotong University (上海交通大學), Osaka University (Japan) and Hitachi Mechanical Engineering Research Laboratory (now Hitachi Research Laboratory), Hitachi Ltd. from April 1990 to December 2006.

Independent Non-executive Directors

Mr. WANG Xiaogang (王小剛), aged 46, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee. Mr. WANG is a founder and the chief executive director of Beijing HuiTong Education Technology Co., Ltd. Mr. WANG served as a managing director of China Aerospace Industry Investment Fund Management (Beijing) Co., Ltd. (航天產業投資基金管理(北京)有限公司) from February 2011 to August 2014. He was previously a partner at PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (普華永道諮詢(深圳)有限公司), where his work focused primarily on financial advisory on investment, merger and acquisition related transactions. He joined PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. in 1997. Mr. WANG obtained the qualification of Certified Public Accountant from Beijing Institute of Certified Public Accountants (北京註冊會計師協會) in June 1997 and the qualification to practice law in the PRC from the Ministry of Justice (司法部) in February 2007. Mr. WANG graduated from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) (now Hangzhou Dianzi University (杭州電子科技大學)) with a bachelor's degree in accounting in July 1995, and later received a master's degree in investment management from Sir John Cass Business School of The City University London in March 2004.

Mr. ZHANG Xingdong (張興棟), aged 82, is an independent non-executive Director and a member of both the Remuneration Committee and the Nomination Committee. Mr. ZHANG is a professor at Sichuan University (四川大學), and an Academician of the Chinese Academy of Engineering (中國工程院院士). He also serves as the President of the International Union of Societies for Biomaterials Science and Engineering (IUSBSE), Director of the CFDA Executive Committee on the Classification of Medical Devices, and director of National Technical Committee 248 on Biological Evaluation on Medical Device of Standardization. He has more than 10 honorary titles, including Foreign Member of the U.S. National Academy of Engineering (美國國家工程院外籍院士), IUSBSE Fellow of Biomaterials Science and Engineering, Fellow of the American Institute of Medical and Biological Engineering etc. Mr. ZHANG has been dedicated to the R&D, and commercialization of tissue inducing biomaterials products and medical implants such as dental implants, osteoinductive synthetic bone, and artificial hip joints for more than 30 years. His research has received numerous awards, such as National Science and Technology Progress Award, National Natural Science Award, and Clemson Award for Applied Research. Mr. ZHANG graduated from Sichuan University with a bachelor's degree in solid state physics in 1960.

Mr. CHEN Geng (陳庚), aged 49, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. CHEN served in the following positions in Peking University Resources (Holdings) Company Limited (name changed from "EC-Founder (Holdings) Company Limited" on October 25, 2013; a company listed on the Main Board of the Stock Exchange, stock code: 618): executive president from 2005 to 2006, executive director from 2006 to May 2013 and vice president from May 2013 to September 2019. He was also an executive director of Founder Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 418) from 2006 to 2011 and the vice president of New Auto Group (新奧特集團) from 2004 to 2005, and had worked in various investment firms in the PRC, garnering extensive experience in finance and management. Mr. CHEN has obtained the qualification of senior economist (高級經濟師) from China State Construction Engineering Corporation Limited (中國建築工程總公司) in October 2010. He graduated from Northwest University (西北大學) with a bachelor's degree in administrative management in July 1993 and later received an EMBA degree from Guanghua School of Management, Peking University (北京大學光華管理學院) in January 2005.

SENIOR MANAGEMENT

Ms. Yue'e ZHANG (張月娥), aged 56, is the CEO, Chairman and an executive Director. Her biographical details are set out above under the section headed "Profile of Directors and Senior Management — Executive Director" in this annual report.

Mr. HUA Wei (華煒), aged 49, is the Company's vice president. Prior to joining the Group in April 2011 as Fert Technology's general manager, Mr. HUA had served as an executive assistant general manager and general manager of Zhongguancun Development Hi-Tech Incubator Co., Ltd (中關村興業(北京)高科技孵化器股份有限公司) from 2002 to 2011. Mr. HUA also held various managing positions with the branch companies of Xinjiang Securities Corporation Limited (新疆證券有限責任公司) from 1995 to 2001. Mr. HUA started his career with the Shihezi branch of the People's Bank of China (中國人民銀行石河子市分行) in 1991. Mr. HUA graduated from Changchun College of Finance (長春金融專科學校) with a diploma in finance in July 1991, and received an MBA degree from Renmin University of China (中國人民大學) in January 2009.

Mr. CHEN Yikun (陳怡琨), aged 43, is the Company's vice president. Prior to joining the Group in January 2014, Mr. CHEN was a senior manager at PricewaterhouseCoopers LLP and he has over 10 years of experience in assurance and advisory practice. From 2005 to 2006, Mr. CHEN served as a project manager in merger and acquisition in China Resources Petrochems (Group) Co., Ltd. (華潤石化(集團)有限公司) before he rejoined PricewaterhouseCoopers LLP in 2006. Before joining PricewaterhouseCoopers LLP in 2001, Mr. CHEN served as an accounting supervisor of Hutchison Whampoa Properties (Shenzhen) Co., Ltd. (和記黃埔地產(深圳)有限公司) from 1998 to 2001. Mr. CHEN is a fellow member of the Association of Chartered Certified Accountants, and a member of the Chinese Institute of Certified Public Accountants. Mr. CHEN graduated from Shantou University (汕頭大學) with a bachelor's degree in economics in July 1998.

Ms. Tian Tian (田甜), aged 37, is the Company's financial director. Prior to joining the Group in January 2020, Ms. Tian served as the chief financial officer in Sinowel Wealth Management Group from 2017 to 2020. She served as the financial controller in Century Sage Scientific Holdings Limited from 2014 to 2017. She started her career with PricewaterhouseCoopers Zhong Tian LLP from 2006 and has over 8 years of experience in assurance and advisory practice. Ms. Tian is a member of the Chinese Institute of Certified Public Accountants and a member of the Hong Kong Institute of Chartered Secretaries. Ms. Tian received a bachelor's degree from Wuhan University (武漢大學) in management in July 2004 and a master's degree in accounting from University of International Business and Economics (對外經濟貿易大學) in July 2006, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

In 2019, the global economy continued its hard time. With the escalated trade tensions and sluggish manufacturing activities at play, global economy saw a slowdown in growth. However, the medical device industry in China has maintained a generally positive development trend. Along with the continuous improvement of economy and living standard, the increasing concern over medical healthcare and the gradual rise of aging population in China, the market demand for medical device products continued to rise. Benefitted from the national policy support and the encouraging market demand, the medical device industry will sustain its development to fill the prominent gap in market demand for medical products. According to the *Analysis Report on the Consumption Survey and Investment Opportunity of China's Medical Device Industry (2020–2026)* (《2020–2026年中國醫療器械行業市場消費調查及投資機會分析報告》), the market size of the medical device industry in the PRC is expected to reach RMB628.5 billion in 2019, and may even exceed RMB900.0 billion in 2022, indicating that the whole domestic medical device industry has stepped into a fast-growing stage.

Despite the expansion of market capacity of the medical device industry, mid to low-end products still dominate the medical device industry in the PRC at the current stage due to obsolete basic technologies and manufacturing processes. Currently, high-end products account for approximately 25%, and mid to low-end products account for approximately 75% of the market share in the medical device industry in the PRC, respectively, while foreign brands occupy 70% of the market share of high-end products. In light of the above, the government has rolled out a series of innovation policies in relation to medical devices, such as the Opinions on Deepening Reform of the Assessment and Approval System to Encourage Innovation of Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) and the *Three-year Action Plan for Enhancing the Core Competitiveness of Manufacturing Industry (2018–2020)* (《增強製造業核心競爭力三年行動計劃(2018–2020年)》), with a view to focusing on expediting the approval of innovative medical devices and the development of high-end medical device industry. In recent years, the government has not only been continuously scaling up its investment in the industry, but also devoting greater efforts to prioritizing approval of advanced innovative medical devices. Furthermore, prioritized approval for advanced medical devices is expected to gradually become a common practice, which will fuel the rapid growth of the advanced medical devices sector.

PW Medtech is a leading medical device company focusing on the fast-growing and high margin segments of medical device industry of the PRC. Currently, it is principally engaged in R&D, manufacturing and sales of advanced infusion set and intravenous cannula products. Benefitted from the favorable national policy support, the Group will seize the opportunities arising from the burgeoning growth of the medical device industry and actively contribute to realizing the vision of achieving domestic production of high-end products with brand building and going global for the medical device industry of the PRC as a significant step toward tapping into the segment of those medical devices with higher technological barrier. The Group also endeavors to expand its product portfolio, enhance its product innovation and R&D capability, while expanding the distribution network in a proactive manner.

Besides, at the beginning of 2020, the COVID-19 epidemic in the PRC has taken a certain toll on the domestic economy in the short run. In light of the epidemic outbreak, we anticipate that the hospitals' demand for medical devices and supplies throughout China will see a further increase. To join force with all the Chinese people in fighting the epidemic and secure the supply of resources, Fert Technology, a subsidiary of the Group, has resumed production early after the Chinese New Year holidays, and hence provided sufficient medical supplies to the frontline of this epidemic fight. To tackle the epidemic, the Group has capitalized on its competitive edges to actively make due contributions to the COVID-19 epidemic prevention and control.

For the year ended December 31, 2019, the Group's revenue was RMB362.2 million, representing an increase of 16.5% over 2018. The Group recorded a gross profit of RMB222.1 million for the year ended December 31, 2019, representing an increase of 13.8% over last year. As of December 31, 2019, the overall gross profit margin of the Group was 61.3%.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

With regards to the advanced infusion set business segment, the Group has continuously made further R&D and focused on providing safer and more effective solutions for infusion therapy over the years. Subsidiaries of the Group under the brand name of "Fert" are domestic enterprises pioneering in R&D and production of precision filter infusion sets, and have participated in the formulation of national standards for these products. At the same time, the Group, as a leading enterprise in the field of infusion therapy, has marked a new milestone for the development of safe infusion in the PRC. Over the years, the Group has maintained its leading position in China's advanced infusion sets market in terms of market share, particularly in those local markets of advanced infusion sets, such as Beijing, Heilongjiang, Jiangsu and Hubei. In addition, the Group also focused on the R&D and sales of cannula products. Apart from the registration certificates obtained for the five existing cannula products, which commenced production in 2019, the Group will apply for seven registration certificates of cannula products in the coming year. It is expected that the cannula market, in which the Group participates with its R&D efforts, will continue to expand and the Group's market share will continue to increase.

In 2019, Fert Technology further expanded the Group's product line of infusion therapy and opened a new chapter for the R&D and production of diabetes-related products by broadening its R&D pipeline and initiating new projects. In terms of infusion therapy, in addition to expanding its current infusion set and cannula product series, the Group has developed a needleless connector with special materials and processes during the year, which is compatible with the majority of infusion set and cannula product models. Besides, as for intestinal feeding device, blood transfusion set and other areas, Fert Technology obtained registration certificate for both the Di-2-ethylhexyl phthalate (DEHP)-free intestinal feeding device and the double-layered blood transfusion set. This blood transfusion set with two-layer structure of the tube is the first double-layered blood transfusion set in the PRC, which has led to the expansion of the Group's product line into the field of blood transfusion devices. In respect of diabetes products, the Group launched new R&D products, such as insulin needles and insulin injection pens. The insulin injection needles, our new product, offers a wide range of specifications that can satisfy the needs of diabetes patients with different body features and can reduce their pain significantly. The insulin injection pens adopt medical polymer materials and are compatible with the mainstream needle models of insulin injection pens in the market. Following the R&D strategy of "produce and focus our R&D efforts for a leading next generation of products", the Group puts efforts in autonomous R&D and pursues innovation constantly, and thereby the technologies resulted from our project R&D are at the world's leading level.

Apart from focusing on the organic growth of its principal businesses, the Group also strived to effectively allocate resources to maximize corporate value and realise the integration of resource advantages through mergers and acquisitions. In September 2019, the Group entered into a Share Purchase Agreement with Centurium, pursuant to which the Group has conditionally agreed to sell 1 million shares in CBPO, an associate of the Company, to Centurium at a total consideration of US$101.0 million or higher, depending on whether the price adjustment terms in the Share Purchase Agreement will be triggered. In addition, as the second largest shareholder of CBPO, the Group has entered into a consortium agreement with Centurium and other consortium members for the formation of a consortium to proceed with the proposed privatization of CBPO. The Group believes that the privatization will be beneficial for CBPO to focus on long term benefit and sustainable development by reducing listing compliance cost, thus enhancing the investment value of CBPO held by the Group. CBPO is a leading biopharmaceutical company principally engaged in the research, development, manufacturing and sales of blood-related biopharmaceutical products, or blood products, in China as well as a biopharmaceutical enterprise for the epidemic prevention garrison of the People's Liberation Army to jointly manufacture military products for epidemic prevention. The pH4 manufactured by CBPO is also a crucial preventive and control drug during the current COVID-19 epidemic. Due to the outbreak of the COVID-19 epidemic, market demand for pH4 has been surging. The Group believes that CBPO will continue to maintain a leading position in the plasma product industry in China and with its strong comprehensive strength, CBPO will make the greatest contribution in the battle of COVID-19 epidemic prevention and control.

At the beginning of 2019, the relocation of the headquarter of the Group and Fert Technology, a subsidiary of the Company, to the new industrial park in Pinggu was completed successfully. The industrial park is located at the southwest of Pinggu District, Beijing, the PRC, a core district of Beijing-Tianjin-Hebei metropolitan area and a central location in Bohai Economic Rim. The new plant will enhance the Group's production capacity in principal businesses and offer strong support in a view to coping with the huge demand in the future. In April 2019, the new sterilization station of the Group in Pinggu officially commenced operation and opened for business. The sterilization station is large in size and equipped with advanced environmental facilities. It occupies a site area of 5,600 square meters and has a sterilization capacity of 150 cubic meters. It is also equipped with spray and shower column for acidic cleaning, marking a crucial step towards enhancing the production capacity of the new plant.

Looking forward, by continuing to leverage its position as a leading enterprise in the medical device industry of China as well as its own strong R&D capabilities, the Group will continue to focus on the advanced infusion set and intravenous cannula business and is committed to providing safer and more efficient solutions for the market. At the same time, the Group will continue the research, development and expansion of the medical device in the diabetes therapy sector and other therapy sector. As of December 31, 2019, the Group has obtained six registration certificates for new products, namely one for insulin injection needles, one for insulin injection pen, one for needleless access adapters, two for disposable precision filter infusion sets with needles and one for the disposable blood transfusion set. The disposable blood transfusion set product is the first product of blood transfusion set with two-layer structure of the tube in China, expanding the Group's product lines to blood transfusion devices. In the future, the Group will continue to expand and optimize its business coverage to enhance the Group's comprehensive competitiveness, maintain its leading position in the industry and make proactive and essential contribution to the safety and effectiveness of medical therapy.

Emphasis on Innovation and R&D

As an industry leader in the development of innovative products, the Group has a R&D team consisting of 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 December 31, 2019, the Group owned 68 patents for advanced infusion set products and the Group had applied for 26 new patents. In 2019, the technological areas under the R&D of the Group's new projects levelled with or even outperformed world leaders. Following the R&D strategy of "produce and focus our R&D efforts for a leading next generation of products", the Group will constantly focus on product research, development and innovation. The Group emphasizes on safety and effectiveness of the products and will continue to invest in product innovation and R&D with an aim to enhancing the Group's comprehensive competitiveness.

Expansion of Distribution Network

The Group currently has an experienced 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, and nearly half of our sales and marketing team have medical education backgrounds, which enables us to communicate with doctors and nurses in a professional and effective manner.

Strategic Acquisitions

As stated in the *2019–2022 Analysis Report of the Operation of Big Data and Top Companies in the Medical Device Market in China* (2019–2022中國醫療器械市場大數據及標杆企業運行監測報告), the positive trend of the industry prospects and the rapid growth in the scale of medical devices indicates a prime time for industrial development. The structure of the medical device market remained imbalanced despite being gradually optimized. Advanced medical device market will become a next growth driver. As mergers and reorganizations among enterprises are accelerating in recent years, market integration will expedite its pace accordingly, thereby increasing industry concentration which is beneficial for major medical device enterprises to gain more market share. By closely seizing the opportunities arising from market development, the Group will constantly better optimize and adjust its own businesses and continue to strategically seek opportunities with high-growth rate, high-profit margin and immense growth potential, so as to achieve balanced business coverage and accelerate the expansion of business presence.

FINANCIAL REVIEW

REVENUE

The revenue of the Group increased by 16.5% from approximately RMB310.8 million in 2018 to approximately RMB362.2 million in 2019, as a result of the increase in sales of the Infusion Set Business. The sales increase in the Infusion Set Business was mainly due to (i) an increase in sales volume of precision filter infusion sets by 12%; and (ii) an increase in sales of disposable intravenous cannula, which amounted to RMB42.7 million, representing an increase by 125%.

GROSS PROFIT

The Group's gross profit increased by 13.8% from approximately RMB195.2 million in 2018 to approximately RMB222.1 million in 2019. The gross profit margin decreased from 62.8% in 2018 to 61.3% in 2019, which was mainly due to the product mix changes with higher proportion of the sales of lower margin products.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses increased by 38.8% from approximately RMB72.9 million in 2018 to approximately RMB101.2 million in 2019. This increase was mainly attributable to the expansion of distribution networks and production promotion.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 12.2% from approximately RMB58.1 million in 2018 to approximately RMB65.2 million in 2019. The increase was mainly due to an increase of totalling approximately RMB12.1 million in the property tax and depreciation expense, offset by a decrease of approximately RMB5.7 million in legal and other services fee.

PROVISION FOR/REVERSAL OF IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF TRADE RECEIVABLES

The detailed information regarding the impairment loss recognised in respect of trade receivables could be found in Note 34(b) to the consolidated financial statements for the year ended December 31, 2019.

R&D EXPENSES

R&D expenses decreased by 5.2% from approximately RMB26.9 million in 2018 to approximately RMB25.5 million in 2019, mainly due to the decrease of direct materials used during the R&D programs, since some newly launched programs have not entered into the testing process.

OPERATING PROFIT

Operating profit decreased by RMB30.0 million from RMB31.7 million in 2018 to RMB1.7 million in 2019, mainly due to the loss on deemed disposal of an associate amounted RMB26.2 million in 2019 (2018: RMB3.9 million), which was charged to the profit and loss when the Group's equity interest in CBPO was diluted due to exercise of CBPO share options. Excluding the loss on deemed disposal of an associate as discussed above, the operating profit in 2019 would have decreased by 21.7% compared to that in 2018. The decrease was also mainly contributed by the accrual of impairment allowance for trade receivables as discussed above in the section of provision for/reversal of impairment losses recognised in respect of trade receivables.

FINANCE COST — NET

The Group had a net finance cost of RMB28.7 million for the year ended December 31, 2019, increased by approximately RMB22.8 million from RMB5.9 million in 2018. During the year ended December 31, 2019, the Group had incurred interest expense for bank borrowings of RMB30.1 million (2018: RMB8.6 million), which caused an increase in finance cost. As disclosed in Note 22 to the consolidated financial statements for the year ended December 31, 2019, the Company entered into a loan agreement with Morgan Stanley Bank, N.A. in an amount of up to US$82,720,000 on September 20, 2018. The Group accrued for 12 months of interest expense under the aforesaid loan agreement for the year ended December 31, 2019, while accrued for approximately 3 months of interest expense for the year ended December 31, 2018.

SHARE OF RESULT OF AN ASSOCIATE

As disclosed in Note 17 to the consolidated financial statements for the year ended December 31, 2019, the investment in CBPO is classified as interest in an associate and has been accounted for in the consolidated financial statements using equity method, and share of result of CBPO during the year ended December 31, 2019 amounted to RMB112.8 million, after deducting amortization of intangible assets arising from the acquisition of RMB41.9 million during the year ended December 31, 2019.

OTHER LOSSES — NET

Other losses — net in 2019 amounted to approximately RMB11.4 million, decreased by approximately RMB8.3 million as compared to other losses — net of approximately RMB19.7 million in 2018, mainly due to (i) the loss on deemed disposal of an associate increased by approximately RMB22.3 million; (ii)the loss on financial guarantee decreased by approximately RMB24.6 million; (iii) rental and property management income of the investment property amounted to RMB17.8 million incurred for the first time in 2019; and (iv) the loss on disposal of property, plant and equipment increased by approximately RMB11.2 million.

INCOME TAX EXPENSES

For the year ended December 31, 2019, income tax expenses amounted to approximately RMB3.8 million, decreased by approximately RMB7.3 million as compared with approximately RMB11.1 million in 2018.

FINANCIAL REVIEW

NET PROFIT FROM CONTINUING OPERATIONS

For the foregoing reasons, the profit from continuing operations of the Group in 2019 decreased by RMB33.5 million from approximately RMB115.5 million in 2018 to RMB82.0 million, which was mainly due to: (i) the increase of the incurred interest expense for the bank borrowing by RMB21.5 million; (ii) the increase of the accrued impairment allowances for trade receivables by RMB29.6 million; (iii) the increased loss on deemed disposal amounted to RMB26.2 million caused by the dilution of equity interest in CBPO held by the Group for the year 2019, while the loss in 2018 was amounted to RMB3.9 million; and (iv) a loss on the disposal of property, plant and equipment of RMB11.2 million.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY FROM CONTINUING OPERATIONS

Profit attribute to owners of the Company arises from continuing operations for the year ended December 31, 2019 amounted to approximately RMB82.0 million, representing a decrease of 28.6% from approximately RMB114.8 million recorded in 2018.

PROFIT FOR THE YEAR

The profit for the year ended December 31, 2019 amounted to RMB 82.0 million, representing a decrease by 29.0% as compared to that for the year ended December 31, 2018 (excluding the one-off gain from the disposal of the subsidiaries in 2018).

TRADE AND OTHER RECEIVABLES

The Group's trade receivables primarily comprised the outstanding payment from credit sales. As of December 31, 2019, the trade receivables of the Group was approximately RMB163.6 million, representing a decrease of approximately RMB40.2 million as compared to approximately RMB203.8 million as of December 31, 2018, which was mainly due to the enhancement of account receivable management and the provision for impairment losses on trade receivables, which amounted to RMB15.5 million.

INVENTORIES

Inventories decreased by approximately 9.9%, from approximately RMB40.4 million as of December 31, 2018 to approximately RMB36.4 million as of December 31, 2019. The decrease of inventories was mainly due to the effectiveness of the purchase process and inventory management.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly include buildings and facilities, machinery and equipment and construction in progress. As of December 31, 2019, the property, plant and equipment of the Group amounted to approximately RMB725.2 million, representing an increase of approximately RMB15.9 million as compared to approximately RMB709.3 million as of December 31, 2018. The increase was mainly due to the construction of facilities to expand production capacities of continuing operations.

INTANGIBLE ASSETS

The Group's intangible assets mainly include goodwill, technology know-how, trademarks, computer software and customer relationship. The Group's goodwill, technology know-how and trademarks are mainly identified and recorded during the purchase accounting process for the acquisitions of subsidiaries in prior years. The goodwill is subject to impairment test at each period end, while the technology know-how and trademarks are amortised with straight line method for 15 years. As of December 31, 2019, the net value of the Group's intangible assets was approximately RMB181.1 million, representing a decrease of approximately RMB3.3 million as compared to RMB184.4 million as of December 31, 2018. The decrease was primarily due to the amortisation charged during the year ended December 31, 2019.

INTEREST IN AN ASSOCIATE

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

FINANCIAL RESOURCES AND LIQUIDITY

As of December 31, 2019, the Group's cash and bank balances amounted to approximately RMB132.6 million (2018: RMB99.0 million). As at December 31, 2019, the Group's bank borrowing balances was RMB587.1 million as disclosed in Note 22 to the consolidated financial statements for the year ended December 31, 2019 (2018: RMB567.7 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.

PLEDGE OF ASSETS

Save as those disclosed in Note 6 and 22 to the consolidated financial statements for the year ended December 31, 2019, during the year ended December 31, 2019, 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 or R&D or other services with it.

COMMITMENTS

As of December 31, 2019, the Group had a total capital commitment of approximately RMB30.4 million (2018: RMB8.1 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

CAPITAL EXPENDITURE

During the year ended December 31, 2019, the Group incurred expenditure of RMB39.3 million on the construction in progress including facilities and production lines and expenditure of RMB12.0 million on the purchase of property, plant and equipment.

FINANCIAL REVIEW

GEARING RATIO

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

	As at December 31	
	2019 **RMB'000**	2018 RMB'000
Total borrowing	**587,071**	567,724
Total equity	**4,608,489**	4,494,137
Total capital	**5,195,560**	5,061,861
Gearing Ratio	**11.30%**	11.22%

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 Hong Kong dollar. Foreign exchange risk arises from bank deposits and borrowings of the Group denominated in foreign currencies. The Group did not hedge against any fluctuation in foreign currency during the year ended December 31, 2019. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

Other than bank balances with variable interest rates, the Group has no other significant interest-bearing assets. The management does not anticipate any significant impact to interest-bearing assets resulting from the changes in interest rates because the interest rates of bank balances are not expected to change significantly.

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

As of December 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year by approximately RMB490,200 (2018: RMB474,000).

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

CREDIT RISK

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

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are state-owned commercial banks in China or public listed companies. Most of the bank deposits of the Group are placed with commercial banks with an acceptable credit rating.

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

CORPORATE GOVERNANCE REPORT

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

The Board considers that during the year ended December 31, 2019, the Company has applied the principles and complied with the code provisions set out in the CG Code, except for code provision A.2.1. Key corporate governance principles and practices of the Company as well as the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

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

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

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

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

A2. Board Composition

The composition of the Board during the year ended December 31, 2019 and up to the date of this report is as follows:

Executive Director:

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

Non-executive Directors:

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

Independent non-executive Directors:

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

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

Throughout the year ended December 31, 2019, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with one of them, being Mr. WANG Xiaogang, possessing appropriate professional qualifications and accounting and related financial management expertise.

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

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

CORPORATE GOVERNANCE REPORT

A3. Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and chief executive should be separate and should not be performed by the same individual.

Ms. Yue'e ZHANG has been appointed in replacement of Mr. JIANG Liwei to act as the CEO with effect from March 31, 2019. Ms. Yue'e ZHANG therefore performs both the roles of the chairman of the Board and the CEO currently. 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.

A4. Appointment and Re-election of Directors

All Directors are appointed for a specific term, subject to renewal upon expiry of the existing term. Ms. Yue'e ZHANG and Mr. JIANG Liwei are appointed for a term of 3 years commencing from February 3, 2018 and March 31, 2019, respectively, pursuant to their respective appointment letters. All the other Directors are appointed for a term of 3 years from October 15, 2019 pursuant to their letters of appointment.

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

At the forthcoming 2020 AGM, Ms. Yue'e ZHANG and Mr. JIANG Liwei shall retire by rotation pursuant to the Articles provisions as stated in the foregoing paragraph. Both of the above two retiring Directors, being eligible, will offer themselves for re-election at the 2020 AGM. The Board and the Nomination Committee recommended their re-election. The Company's circular, sent together with this annual report, contains detailed information of the above two Directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

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

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

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the year ended December 31, 2019, the then Directors have complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

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

A6. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended December 31, 2019 are set out below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Executive Director:						
Ms. Yue'e ZHANG	5/5	N/A	N/A	1/1	1/1	1/1
Non-executive Directors:						
Mr. LIN Junshan	5/5	3/3	1/1	N/A	1/1	1/1
Mr. JIANG Liwei(Note)	5/5	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors:						
Mr. WANG Xiaogang	5/5	3/3	N/A	1/1	1/1	1/1
Mr. ZHANG Xingdong	4/5	N/A	1/1	1/1	1/1	0/1
Mr. CHEN Geng	5/5	3/3	1/1	N/A	1/1	1/1

Note: Mr. JIANG Liwei has been re-designated from an executive Director to a non-executive Director with effect from March 31, 2019.

In addition, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended December 31, 2019.

A7. Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of their office or employment, are likely to possess inside information of the Company and/or securities. Specific enquiry has been made of all the Directors and they have confirmed their compliance with the Model Code throughout the year ended December 31, 2019. In addition, no incident of non-compliance of the Model Code by the senior management of the Group was noted during the year ended December 31, 2019.

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

A8. Corporate Governance Functions

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

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

B. BOARD COMMITTEES

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

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

B1. Remuneration Committee

The Remuneration Committee comprises a total of three members, being one non-executive Director, namely Mr. LIN Junshan, and two independent non-executive Directors, namely Mr. CHEN Geng (chairman of the Committee) and Mr. ZHANG Xingdong. Throughout the year ended December 31, 2019, the Company has met the Listing Rule requirements of having the majority of the Remuneration Committee members being independent non-executive directors as well as having the Committee chaired by an independent non-executive director.

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

During the year ended December 31, 2019, the Remuneration Committee has held one meeting, in which the existing remuneration policy and structure of the Company and the remuneration packages of Directors and senior management were reviewed and relevant recommendations were made to the Board.

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

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended December 31, 2019 is set out below:

Remuneration band (HK$)	Number of individual
Nil–1,000,000	3

The amount of remuneration includes the amortisation of the fair value of share-based compensation, wages, salaries, bonus, contribution to social securities and housing fund. Details of the remuneration of each Director for the year ended December 31, 2019 are set out in Note 9 to the consolidated financial statements contained in this annual report.

B2. Nomination Committee

The Nomination Committee comprises a total of three members, being one executive Director and the Chairman of the Board, namely Ms. Yue'e ZHANG (chairman of the Committee), and two independent non-executive Directors, namely Mr. ZHANG Xingdong and Mr. WANG Xiaogang. Throughout the year ended December 31, 2019, the Company has met the code provision A.5.1 of having a majority of the Committee members being independent non-executive directors and having the Committee chaired by the chairman of the Board.

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

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

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

The Company has adopted the director nomination policy. Such policy, devising the criteria and process of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing better Board effectiveness and diversity as well as in compliance with the applicable rules and regulations.

During the year ended December 31, 2019, the Nomination Committee has held one meeting and performed the following major works:

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

— Recommendation of the re-appointment of the retiring Directors standing for re-election at the AGM held on June 4, 2019 (the "2019 AGM"); and

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

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

B3. Audit Committee

The Company has met the Listing Rule requirements regarding the composition of the Audit Committee throughout the year ended December 31, 2019. The Audit Committee comprises a total of three members, being one non-executive Director, namely Mr. LIN Junshan, and two independent non-executive Directors, namely Mr. WANG Xiaogang and Mr. CHEN Geng. The chairman of the Audit Committee is Mr. WANG Xiaogang who possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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

During the year ended December 31, 2019, the Audit Committee has held three meetings and performed the following major works:

— Review and discussion of the annual financial statements, results announcement and report for the year ended December 31, 2018, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's financial reporting system, internal control and risk management review and processes; the major internal audit issues for the year ended December 31, 2018 and the existing internal audit function of the Company; and recommendation of the re-appointment of the external auditor;

- Consideration and recommendation of the re-appointment of BDO Limited as the auditor of the Company at the 2019 AGM;

- Review and discussion of the interim financial statements, results announcement and report for the six months ended June 30, 2019 and the related accounting principles and practices adopted by the Group;

- Discussion of the nature, plan and scope of the Group's audit and the audit fee for the year ended December 31, 2019; and

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

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

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

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

The Directors have acknowledged their responsibilities for preparing the financial statements of the Group for the year ended December 31, 2019.

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

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

D. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assesses the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2019.

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

During the year ended December 31, 2019, the Board, as supported by the Audit Committee as well as the report from the management and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

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

E. COMPANY SECRETARY

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

Mr. WONG and Tricor are responsible for providing advice to the Board on corporate governance matters. Mr. WONG has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended December 31, 2019.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the Company's financial statements for the year ended December 31, 2019 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to BDO Limited in respect of audit services and non-audit services for the year ended December 31, 2019 are analyzed below:

Type of services provided by the external auditor	Fees paid/ payable (RMB'000)
Audit services	1,200
Non-audit services	
— Review on interim results for the six months ended June 30, 2019	253
— Advising on working capital sufficiency and indebtedness	128
TOTAL:	1,581

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

Address:	Building 1, No. 23 Panlong West Road Pinggu District Beijing PRC 101204
Email:	ir@pwmedtech.com
Fax number:	(86) 10 84783657

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

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

H. SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the fourth environmental, social and governance report issued by the Group (the "Report") to facilitate each stakeholder's understanding of the policies, measures and performance of the Group in terms of environmental, social and governance issues. This Report is prepared in Chinese and English and has been uploaded to websites of the Stock Exchange and the Group at www.pwmedtech.com.

Scope of Report

This Report fulfills the environmental, social and governance performance of the Group from January 1, 2019 to December 31, 2019 (the "Year") and continuously pays attention to a Beijing-based plant related to the "Infusion Set Business" of the Group (referred to as the "Fert Plant" or the "Plant") since the Plant, as the Group's major source of income, accounts for approximately 97.1% of the Group's revenue. In the future, the Group will also strive to expand the scope of report so as to disclose information in a more comprehensive approach.

Reporting Standards

This Report is prepared in accordance with the "comply or explain" provisions in the Environmental, Social and Governance Reporting Guide (the "Guide") as set out in Appendix 27 of the Listing Rules issued by the Stock Exchange and selects certain content under "Recommended Disclosure" of the Guide for reporting in making this Report more comprehensive. In addition, this Report takes the four reporting principles listed therein, namely materiality, quantitative, balance and consistency, as the basis for preparation of this Report.

Reporting Principles	Definition	Response
Materiality	Environmental, social and governance issues becoming sufficiently important to the Group and various stakeholders should be highlighted.	The Group has conducted management interviews. Management has selected material environmental, social and governance issues based on factors such as the nature of the Group's business and stakeholders' expectations.
Quantitative	Key performance data needs to be measurable and compared where appropriate.	Key Performance Indicators (KPIs) of the Social part of the Group are derived from relevant departments' statistics. In addition, to ensure the accuracy of the environmental KPIs, the Group has entrusted Carbon Care Asia, a professional consulting company, to carry out carbon assessment by referring to the guidelines issued by the National Development and Reform Commission of the People's Republic of China, as well as ISO 14064–1 and Greenhouse Gas Protocol, and other international standards.

Reporting Principles	Definition	Response
Balance	Issuers should objectively and truthfully report its environmental, social and governance performance during the Year.	During the preparation of the Report, the Group not only focuses on elaborating the environmental, social and governance results, but also describes the difficulties encountered and solutions in such regard.
Consistency	Report disclosure should adopt consistent methodologies to allow for meaningful comparisons of environmental, social and governance KPIs and thus obtaining more knowledge on the corporate performance.	The Group has compared this year's environmental, social and governance data with previous years. Please refer to "Overview of Key Performance Indicators" section for details.

Confirmation and Approval

All information referred to in this Report is derived from the official documents, statistics of the Group, and other management and operation information. This Report was confirmed and approved by the Board on March 27, 2020.

Feedbacks

The progressive improvement of the Group in terms of environment, society and governance relies upon opinions and recommendations from each stakeholder. If you have any enquiries on the contents of this Report or the environmental, social and governance performance of the Group, you are welcomed to contact us by the following means:

Address: Building 1, No. 23 Panlong West Road, Pinggu District, Beijing, the PRC	Tel: +86-10-84783617
E-mail: ir@pwmedtech.com	Fax: +86-10-84783657

MESSAGE FROM DIRECTOR

Increasing demands towards product information transparency from the public have brought new challenges to the Group's operations. On the other hand, facing severe environmental problems, such as waste disposal and greenhouse gas emissions, all enterprises are required to respond urgently with substantive actions.

Under such circumstance, stakeholders have raised their expectations for corporate sustainable development governance. The Group attaches great importance to its responsibilities to stakeholders, and therefore expanding the stakeholder targets for engagement during the Year to collect more opinions via various channels. With an aim to enhancing the Group's governance effectiveness in the area of sustainable development, the Board of the Group is responsible for reviewing and formulating policies, goals and measures regarding environmental, social and governance, and supervising related work. During the Year, an external consultant is entrusted to conduct a board survey so as to integrate management's opinions into the Group's sustainable development work.

Through communication with Board members and based on the consultants' opinions, the Group's substantive sustainable development issues during the Year include use of resources, employment, health and safety, training, labor standards and product quality which reflect the Group's policy linkage between sustainable development and business.

In response to the increasingly stringent reporting requirements by regulatory institutions, the Group will prepare ahead of time to identify risks, issues and actions relating to climate changes. The Group will establish a taskforce authorized by the Board to coordinate and plan the Group's environmental, social and governance work, and cooperate with stakeholders in coping with the challenges regarding sustainable development issues such as climate changes.

Chairman of the Board and CEO
Yue'e ZHANG

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Governance Structure

The Group attaches great importance to the management of environment, society and governance, and is committed to optimizing the environmental, social and governance performance through a sound management structure. The Board is responsible for overseeing work related to environmental, social and governance, and reviewing the implementation of relevant policies, goals and measures. In the future, the Group plans to establish a taskforce authorized by the Board so as to coordinate the work related to the environmental, social and governance of the Group.

Risk Management

The Group regards good risk management as a crucial part of corporate governance. To this end, the Group has established risk management and internal control systems to effectively manage various risks. In addition, the Board, with the support from Audit Committee, conducts comprehensive assessment and review on the effectiveness of the Group's risk management systems every year.

During the Year, the Group has identified the environmental, social and governance risks related to the Group's business. Details are as follows:

Environmental, Social and Governance Risks	Impact	Responding Measures
Labor standards	The Group pays great attention to the potential labor problems arising from recruitment, management and other employment. In case of any misuse of child labor or forced labor, the Group's brand image will be negatively affected and we will be exposed to corresponding legal risks, which will cause an adverse impact on the Group's operations.	• The Group strictly complies with relevant national laws and regulations, and by formulating various internal policies and multi-level approval systems within the Group, ensures the employment procedures to be in compliance with the standards set out in national and local laws and regulations.
Health and safety	Health and safety of employees is a key focus of the Group. If any issue related to employees' health and safety arises, their personal rights and interests as well as the relevant interests of the Group will be affected.	• The Group has formulated various policies targeting employees' health protection and production safety to effectively safeguard employees' rights in terms of health and safety; and • The Group is committed to raising employees' awareness by adopting measures such as employee safety training and daily safety inspections, and thus creating a healthy and safe working environment.

Environmental, Social and Governance Risks	Impact	Responding Measures
Product quality	Product quality is a core issue of the Group's operations. If there is any risk relating to product quality, the Group's image and consumer confidence will be affected while we will also be subject to legal and other risks arising therefrom as well as economic losses.	• To guarantee product safety, quality system department of the Group has established a quality management system and corresponding corporate systems and standards; • Product research, development and technology department must design and develop products according to the FDA requirements, and undergo mass production after obtaining registration certificate upon approval; • Procurement department must strictly screen out qualified suppliers to maintain the quality of raw materials procured.

COMMUNICATION WITH THE STAKEHOLDERS

The Group has always valued communication with stakeholders[1]. As in the past, the Group has organized different activities in daily operations to obtain stakeholders' opinions and recommendations on the Group's environmental, social and governance aspects. The Group believes that stakeholder participation could help identify risks and opportunities in different aspects of environment, society and governance, and facilitate the Group to formulate more comprehensive management policies and measures. During the Year, consumers are newly added as important external stakeholders so as to gather more opinions and thus improving the Group's performance.

Major methods of communication with stakeholders during the Year are as follows:

Internal stakeholders	External stakeholder
Board of directors, management, executives, general staff	Shareholders, investors, suppliers, dealers, hospitals, medical staff, patients, community groups or other cooperating organizations
Methods of communication	
Site visit, interview, mail, teleconference, suggestion box, industry conference and general meeting	

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

Management, as a crucial stakeholder of PW Medtech, participated in the stakeholder communication activities this year and stated the Group would continue improving product quality that meets national and industry requirements. Also, the Group would also manufacture products that satisfy patients' needs by taking the usage requirements and habits of medical staff into consideration. In addition, the Group has also selected six items out of the eleven environmental and social scopes from the Guide as the focus discussion for reporting, including use of resources, employment, health and safety, development and training, labor standards and product responsibility. Details are as follows:

Substantive Issues	Reasons for Selection	Corresponding Section
Use of resources	The Group consumes a certain amount of raw materials and natural resources during its daily operations.	Protecting Environment
Employment	As a responsible enterprise, protecting the rights and interests of the employees is the cornerstone of the Group's development.	Creating a Sound Employment Environment
Health and safety	Health and safety of our employees has always been the focus of the Group while the Group aims at constructing healthy and safe plants.	Creating a Sound Employment Environment
Development and training	Skill cultivation of the employees significantly fuels the Group's development and guarantees on their career development.	Creating a Sound Employment Environment
Labor standards	Precluding child labor and forced labor has significant impact on the Group's brand image and sustainable development performance.	Creating a Sound Employment Environment
Product responsibility	As a company specializing in the manufacture of infusion sets, the core of the Group's development lies on product quality.	Developing Responsible Operation

CREATING A SOUND EMPLOYMENT ENVIRONMENT

The Group strives to provide employees with a healthy and safe working environment, support employees' development in different aspects, and ensure their labor rights and interests are protected. The Group's policies including "Staff Manual" and "Measures for Prevention and Rectification of Misuse of Child Labor" have set out the Group's management measures in respect of employee salary, recruitment, dismissal, training, safety and labor standards.

Comprehensive Employment System

The Group's recruitment process has been clearly stated in the "Staff Manual" in order to enhance the planning and effectiveness of employee recruitment and thus fulfilling the needs of corporate development. The Group divides the recruitment process into the following steps.

Recruitment Process	Execution Approach
Proposing human resources needs	Department with staffing needs should submit recruitment requirements to human resources department according to the vacancies and future development plans of the department and obtain approval from the general manager.
Develop recruitment plan	Human resources department is responsible for formulating and implementing recruitment plans, and at the same time initiating recruitment process.
Employment	If the candidate is qualified after the interview, human resources department will notify the relevant personnel of medical check-up, and arrange the entry formalities as well as organize job training.

To ensure fair return is guaranteed for every employee, the Group's salary system is on a position-salary basis oriented with performance appraisal. For the sake of effectively managing the staff performance appraisal process, the Group has established a performance management system, and each department proposes appraisal indicators and work plans. After the appraisal, the appraisal form must be signed and confirmed by the employees before taking into effect.

In addition, the Group will reward eligible employees who have significant inventions, outstanding performance or propose reasonable recommendations based on their performance. Incentives include public notice of commendation, cash or job rank promotion. All incentives must be proposed by the employee's own department, reviewed by the human resources department and become effective only upon approval by the Group.

During the Year, the Group has complied with relevant laws and regulations that pose a significant impact on the Group, including but not limited to the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, and has not identified any cases of non-compliance with the laws and regulations regarding employment. In response to the future plans proposed in 2018, the Group will revise "Staff Manual" in due course with a view to demonstrating the Group's measures on equal opportunity, diversity and anti-discrimination.

Guarantee on Health and Safety

As a company specializing in the manufacture of infusion sets, any accident occurrence during production process will pose a great impact on the health and safety of our employees. With a view to minimizing the negative impact brought by safety incidents, "Staff Manual" has clearly stated the relevant provisions of the Group's safety management system and the Group is committed to regulating the management of employees' health and safety.

Emergency Measures

In case of an emergency, such as fire or explosion, the relevant personnel shall immediately take emergency measures and evacuate the staff in a timely manner. Information of all fire equipment, including location and information of usage, is recorded in the "Fire Equipment Management Ledger" while such ledger is centrally managed by fire safety personnel. If the situation could not be controlled in time, the Group should promptly report to police for support. In the event of providing false information or negligence of duty during emergency handling, the Group will circulate a notice of criticism or degrade the relevant personnel at once.

Fire Safety

For the sake of promoting fire safety awareness, the Group implements a fire safety responsibility system. General manager leads the team and clarifies the fire safety area and responsibilities of each department, and at the same time signs the "Fire Safety Responsibility Statement" with every department head. In addition, the Group also establishes a voluntary fire-fighting team and conducts fire safety training and fire drills on a regular basis.

In case of using any tools such as welding machines, employees should communicate with general administration department in advance and a specialized officer will be assigned for supervision. Employees should perform work in accordance with safe operating procedures and take necessary safety precaution measures. General administration department shall enter into "Fire Safety Agreement for External Personnel" with external personnel who need to work inside the plant area to ensure that the fire safety information within the scope of operations is clarified.

Moreover, the Group conducts fire safety promotion and education for employees on a regular basis to help cultivate their fire safety knowledge, understand the proper use of fire equipment and enhance their safety awareness.

During the Year, the Group has not experienced any work-related injury accident while the employee of the work-related injuries disclosed in the 2018 report has recovered. In terms of health and safety, the Group abides by the relevant laws and regulations that have a significant impact on the Group, such as Production Safety Law of the People's Republic of China, the Law of Prevention and Control of Occupational Diseases of the People's Republic of China and the Fire Control Law of the People's Republic of China. During the Year, the Group has not identified any cases of non-compliance with laws and regulations regarding health and safety.

Provision of Development and Training Opportunities

To promote the career development of our employees and enhance their professional knowledge and management capabilities, exclusive sections in the "Staff Manual" illustrate the Group's training management system that ensure employees in various positions could receive appropriate training opportunities.

The Group's human resources department is responsible for the overall management of staff training, including determining training needs and development directions, formulating and optimizing management systems, and evaluating training results. At the end of each year, human resources department gathers all department heads to understand their departmental training needs, and compiles the "Survey Form of Training Needs" as a reference for "Annual Training Plan" for the coming year. "Annual Training Plan" should contain details including training topics, time, budget and responsible personnel. After the training, human resources department shall assess the effectiveness while the assessment results will be used as the basis for passing probation and performance appraisal of our employees.

During the Year, all 629 employees of the Group have participated in internal training and online learning organized by the Group, representing an increase by approximately 20% to 100% as compared to that of 2018. Average training time reached 18.11 hours, representing an increase of approximately 4.56 times from that of 2018. During the Year, the Group's training courses mainly focused on microbiological basis and hygiene knowledge, key process operations and communication skills.

In Compliance with Labor Standards

The Group undertakes that it will forbid the employment and use of child labor and forced labor. "Staff Manual" and "Measures for Prevention and Rectification of Misuse of Child Labor" formulated by the Group have illustrated the corresponding situation.

Category	Management Methods
Child labor	During the recruitment process, the Group will inspect the interviewees' identification document respectively. The candidates shall be immediately disqualified if his/her age does not reach the employment requirement of the Group (i.e. full age of 16). We shall contact the guardian of such person to escort him/her home.
Forced labor	The Group respects that employees shall have the right to resign on his/her own will. Regular employees must submit the application for resignation to the Group one month in advance, and go through the relevant procedures with human resources department in accordance with the corresponding requirements of our Group. In addition, human resources manager will arrange exit interviews according to the employees' wishes to understand their opinions and recommendations and ask them to fill out the "Exit Interview Form".

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

IMPLEMENTATION OF ENVIRONMENTAL MANAGEMENT

As a responsible production enterprise, the Group regards environmental sustainability as one of the essential aspects of performing its corporate social responsibility. To effectively reduce the impact of the Group on the environment, PW Medtech has formulated the Regulations on the Management of Hazardous Chemicals.

Management of emissions and resources

Waste Gas Emission

The waste gases generated by the Group mainly originated from the ethylene oxide exhaust gas arising from sterilization of advanced infusion sets in the Fert Plant, and nitrogen oxides, sulfur oxides and respirable suspended particles generated from combustion of fossil fuels by vehicles. During the Year, the Group has spent a total of RMB780,000 for acquiring a waste gas treatment facility, which was mainly used for the treatment of ethylene oxide exhaust gas. The entire construction process of this waste gas treatment facility, which was being connected to the production facilities, is in compliance with the requirements of relevant laws and regulations regarding environmental protection, and has been undergone acceptance inspection and approved by relevant government departments.

In addition to ethylene oxide, the emission of nitrogen oxides, sulfur oxides and respirable suspended particles arising from operation during the Year increased by 5.78kg, 0.78kg and 0.32kg as compared with those of 2018, respectively. The increase was mainly attributable to the respective increases in the total distance travelled and fuel consumption of vehicles by 169% and 87%, as compared with those of 2018, resulting from the addition of two new vehicles for business purpose during the Year.

	Type	Emission for the Year	Emission in 2018
Waste gas emission	Nitrogen oxides(kg)	9.20	3.42
	Sulfur oxides(kg)	1.64	0.86
	Respirable suspended particles(kg)	0.86	0.54

Greenhouse Gas (GHG) Emission

The significant GHG emission generated by human activities, coupling with the issue of global warming caused thereby, has led to irreversible harm to the earth. During the Year, the Group entrusted Carbon Care Asia, a professional consulting company, to assess the Group's GHG emission. The quantification process was carried out by referring to the guidelines[2] issued by the National Development and Reform Commission of China, ISO14064-1, Greenhouse Gas Protocol, and other international standards.

The total carbon emission generated by the Fert Plant during the Year amounted to approximately 4,486.4 tons of carbon dioxide equivalent. The moving source of direct GHG emission under Scope 1, the energy indirect GHG emission under Scope 2 and the GHG emission from business trip by airplane under Scope 3 accounted for 1.1%, 97.0% and 1.9% of the total GHG emission, respectively.

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

The total amount of carbon emission generated by the Fert Plant increased by approximately 4.6% as compared with that of 2018, which was mainly attributable to the approximately 40-times increase in carbon emission statistics under Scope 3 in comparison with that of 2018. Meanwhile, the rates of increase in Scope 1 and Scope 2 statistics were relatively lower, amounting to 13.4% and 2.6%, respectively. It is worth mentioning that the statistics in respect of fixed source of fossil fuel combustion under Scope 1 was recorded as nil for the Year, due to the operation of the canteen in the Fert Plan being outsourced to a third party.

	Scope	Emission for the Year	Emission in 2018
GHG emission	Scope 1: Direct GHG emission (carbon dioxide equivalent in tons)	49.9	43.3
	Scope 2: Energy indirect GHG emission (carbon dioxide equivalent in tons)	4,351.9	4,242.7*
	Scope 3: Other indirect GHG emission (carbon dioxide equivalent in tons)	84.6	2.1
	Total GHG emissions (carbon dioxide equivalent in tons)	4,486.4	4,288.1
	GHG density (carbon dioxide equivalent in tons/m^2)	0.29	0.52

* As the basis for calculating the electric power GHG emission during the Year has been switched to the average emission factor of the national power grid[3], the energy indirect GHG emission in 2018 was re-calculated for a fair comparison.

Highly committed to its own social responsibility, the Group helped its employees to reduce the number of business trips and group gatherings by arranging video conference and other measures. Looking ahead, the Group will continue to motivate their employees to opt for green transportation and adopt other measures, such as expense control, to effectively minimize unnecessary business trip schedules.

Sewage Emission

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

Waste Emission

During the Year, the wastes produced by the Group were all non-hazardous wastes, which comprised of mainly 219 tons of domestic garbage. All those wastes have been sent to a specialized organization designated by local authorities for centralized recycling and treatment.

Use of Resources

Gasoline and electricity are the major types of energy consumed by the Group throughout production. Although the direct and indirect energy consumption have both increased in comparison with that of 2018, the energy density dropped by 2.9%. In terms of use of materials[4], the total consumption of PVC granules and plastic ABS rose by 1.8% to 1,355 tons. As for water resources, the total water consumption for the Year lowered by 27.1% as compared with that of 2018 mainly because of the Group's dedication in strengthening the monitoring of use of water and the upgrade of water treatment facilities in new plants.

3 The Notice on Exerting More Efforts in Formulation of the 2018 Carbon Emission Report and the Inspection and Emission Monitoring Plan (《關於做好2018年度碳排放報告與核查及排放監測計劃制定工作的通知》)

4 The consumption statistics for PVC granules and plastic ABS in 2018 have been amended to 1,331 tons in total.

	Type	Consumption for the Year	Consumption in 2018
Energy use	Total energy consumption (Megawatt hours equivalent)	7,337.1	7,138.1
	Energy intensity (calculated by production volume, i.e. "Megawatt hours equivalent/10,000 items")	1.10	1.13
Use of packaging materials	Total packaging materials (tons)	773	758
Use of water resources	Total water consumption (m^3)	43,783	60,069

Currently, the Group is stepping up its effort in formulating policies in relation to the management of wastes gases, GHG, non-hazardous wastes and use of resources, which will be implemented in the near future. With respect to national laws and regulations, the Group has complied with the relevant laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Law of Prevention and Treatment of Water Pollution of the People's Republic of China and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China. During the Year, the Group has not identified any cases of non-compliance with the laws and regulations regarding emission.

The Environment and Natural Resources

Given the business nature of the Group, certain hazardous chemicals, including ethylene oxide, alcohol, concentrated hydrochloric acid, concentrated nitric acid and concentrated sulfuric acid may be used in the course of production, which would affect the surrounding environment. The Regulations for the Management of Hazardous Chemicals of the Group has expressly delineated the duties of each department to effectively coordinate the management of hazardous chemicals.

Department	Duties
The procurement department	It is mainly responsible for the procurement of hazardous chemicals.
The quality management department	It is mainly responsible for the inspection and management of hazardous chemicals used in laboratories, such as concentrated nitric acid, concentrated sulfuric acid and mercuric iodide.
The production centre	It is mainly responsible for managing the storage warehouse of hazardous chemicals.

When transporting the hazardous chemicals, the procurement department of the Group shall select a company with qualification to engage in special transportation for carrying out relevant works. Upon being delivered to the plants, those chemicals shall be unloaded and stored by professional personnel to avoid any collision, pouring out and leakage. All hazardous chemicals shall be stored in different areas pursuant to its characteristics, while fire safety and no smoking signs shall be posted in all areas.

To prevent accidents when storing or using hazardous chemicals, the production center and quality management department shall maintain an Inventory Movement Record for Hazardous Chemicals, and conduct daily inventory check-up to mitigate the risk of accidents. Once accidents are identified, such matter shall promptly be reported and emergency treatment by professional personnel shall be arranged.

DEVELOPING RESPONSIBLE OPERATIONS

The Group attaches great importance to upholding business ethics and strives to improve product quality with its best endeavours. To this end, the Group has formulated a series of policies and documents applicable to supply chain management, product responsibility and anti-corruption, such as the Regulations on the Management of Supplier Audit, Procurement Control Procedures, Production Process Control Procedures and Staff Manual, with the aim of improving the Group's operation performance.

Managing the Supply Chain

The Group is committed to selecting suppliers that can meet the Group's environmental and social standards through effective implementation of relevant systems of supply chain management. The procurement department will organise the technological department, quality management department and production department to conduct investigation on the suppliers, the details of which are as follows:

Areas	Factors for supplier selection
Product quality	Investigate the conditions such as the product variety, quality grade, transportation conditions and product delivery capabilities of the suppliers.
Environment	Investigate the environmental conditions of the suppliers' production, including exhaust emissions, wastewater discharge and utilization of resources.
Society	For certain special products such as hazardous chemicals, the suppliers shall submit an inspection report issued by a nationally-recognised inspection centre.

In addition, the procurement department evaluates the performance of all suppliers annually, including the product quality, delivery capabilities, qualified rate and technological level. Evaluation Form for Qualified Suppliers will be filled in for reference subsequently. For suppliers that failed to meet the standards, the Group will make suggestions for improvement or disqualify them immediately.

Maintaining Product Responsibility

PW Medtech places great emphasis on improving the service quality on a continuous basis and strengthening the product responsibility management. To this end, the Group has formulated the Product Prevention and Control Procedures, the Production Process Control Procedures and Product Recall Management and Control Procedures, endeavoring to improve the product responsibility management structure.

Quality Management

With a view to regulating the product quality control process, the Group has assigned different departments such as the production department, logistics department and quality management department to be responsible for the risk control of products during the process of production, storage and delivery.

As a crucial part of quality management, production process has always been the Group's key focus. First, the Group's technology department compiles Process Documentation for different products to specify all the production processes of the products from delivery of raw materials to storage of finished products. Only upon approval by the general manager can the Process Documentation be submitted to the production centre and the quality management department for reference. During the production process, the relevant department will also enhance control over equipment, materials, production environment and personnel to ensure that the production process of the product meets the requirements. In addition, to ensure that operators are familiar with the operating procedures, the Group will also provide training regularly for relevant staff.

As another crucial part of quality management, storage of finished products is also essential to product quality. The Group has specified the storage procedures of products in Protection and Control Procedures of Products that all warehouse managers shall check the items stored in the warehouse regularly and shall promptly report to relevant departments in case of deterioration or obsolescence. Obsolete products shall be deemed as wastes for treatment. Meanwhile, warehouse managers shall properly carry out prevention of moisture, dust and pollution within the warehouse to ensure product safety.

During the product delivery process, staff shall carry the products in strict compliance with the instructions on the product labels. All transportation vehicles shall be covered with waterproof cloths to prevent products from being polluted.

If there are risks in the products that jeopardize human health or safety, the Group will immediately start the emergency procedures in accordance with the requirements of the Product Recall Management and Control Procedures. The technology department shall carry out investigation and assessment before determining whether to start recall procedures. Depending on the actual conditions, the Group classifies the product recall into three levels and the above classification shall be notified by the business department to agencies, entities and persons using such products.

Level	Definition	Recalling period
Level 1	Using the product has seriously jeopardized the health and safety of the user.	Within 1 day
Level 2	Using the product has caused temporary or reversible health damage.	Within 3 days
Level 3	Using the product has caused relatively low damage but the product still needs to be recalled.	Within 7 days

Privacy Protection

In order to help the Group timely understand customers' opinions and improve product quality, the marketing department will collect customers' comments and suggestions from time to time via questionnaires, telephone or direct communication. For the purpose of protecting customers' information from leakage, the Group has defined customer information as trade secret and such information shall be managed by the human resources department centrally.

Product Labels

As statements of product information, product labels serve as important instructions to patients and physicians. As stated in the Group's Regulations for the Management of Using Labels and Qualification Seals, leaders of each production group shall collect necessary labels at the warehouse based on the production needs of respective groups and such collection shall be properly recorded by warehouse managers. In addition, printing of product qualification shall be separately arranged by the directors of production workshops and products shall only be put into production upon confirmation from the quality controller.

Intellectual Property Rights

As a company possessing proprietary research and development capacity, the Group understands the importance of intellectual property rights to an enterprise and is committed to securing the intellectual property rights of itself and its partners in each stage of operation. As expressly stated in the Staff Manual and the Letter of Commitments on Integrity Cooperation, the products or services provided by suppliers must not be involved in any intellectual property rights dispute. All intellectual property right issues shall be handled in accordance with national laws in relation to intellectual property rights.

Due to the nature of the current business, the Group does not involve any product advertisement so far. The Group will also update relevant policies in due course depending on the business development. The Group has undertaken to comply with the laws and regulations regarding product responsibility, such as the Product Quality Law of the People's Republic of China and Patent Law of the People's Republic of China. During the Year, the Group has not identified any cases of non-compliance with the laws and regulations regarding product responsibility.

Denying Corruption

With a view to aligning the Group's operation with the requirements of fairness and ethics, PW Medtech has established the Procurement Principles and has signed Letter of Commitments on Integrity Cooperation and Letter of Commitments on Integrity and Self-discipline with partners and internal staff so as to ensure that the Group is free from corruption in any form during operation.

The Group requires all staff to refrain from seeking or offering any rebate when cooperating with suppliers or other institutions, including but not limited to cash, gifts in kind or securities. In case of misconduct by the staff at work such as acceptance of gifts (in kind or in cash), the Group will impose corresponding punishments on the relevant staff depending on the seriousness of the case. In addition, in case of any misconduct by suppliers or other cooperating institutions, relevant staff shall immediately report to the relevant department of the Group and shall not withhold any matter.

During training for new staff, the Group will cover training pertaining to anti-fraud policies, reporting mechanism of staff interests and other risk management systems. During the Year, the Group has arranged 12 training programs for new staff.

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

MUTUAL DEVELOPMENT WITH THE COMMUNITY

Recognizing that corporate development will not be possible without the support from local community, the Group places great emphasis on strengthening its connection with the community in which it operates. The Group has established the Community Investment Policy to regulate the community investment of the Group.

The Group has identified three major areas of concerns, namely climate change and environment, community health, and adolescent education and development, in accordance with the characteristics of its operation and social development. During the Year, the Group has disseminated knowledge on health to the public by various ways such as holding seminars.

OVERVIEW OF KEY PERFORMANCE INDICATORS

Environmental Performance

	Type	Emission for the Year	Emission in 2018
Waste gases	Nitrogen oxides (Kg)	9.20	3.42
	Sulfur oxides (Kg)	1.64	0.86
	Respirable suspended particles (Kg)	0.86	0.54

	Scope	Emission for the Year	Emission in 2018
GHG emission	Scope 1: Direct GHG emission (carbon dioxide equivalent in tons)		
	Fossil fuel combustion-fixed source	0	17.1
	Fossil fuel combustion-moving source	49.9	26.2
	Scope 2: Energy indirect GHG emission (carbon dioxide equivalent in tons)		
	Purchased electric power	4,351.9	4,242.7[5]
	Scope 3: Other indirect GHG emission (carbon dioxide equivalent in tons)		
	Business trip by airplane	84.6	2.1
	Total GHG emissions (carbon dioxide equivalent in tons)	4,486.4	4,288.1
	GHG density (carbon dioxide equivalent in tons/m^2)	0.29	0.52

	Type	Generation for the Year	Generation in 2018
Wastes	Hazardous wastes (tons)	N/A	N/A
	Intensity of hazardous wastes (calculated by number of employees, i.e. "tons/number of employees")	N/A	N/A
	Non-hazardous wastes (tons)		
	Domestic garbage	219	200
	Intensity of non-hazardous wastes (calculated by number of employees, i.e. "tons/number of employees")	0.35	0.35

5 As the basis for calculating the electric power GHG emission during the Year has been switched to the average emission factor of the national power grid, the energy indirect GHG emission for the previous year was re-calculated for a fair comparison.

	Type	Consumption for the Year	Consumption in 2018
Use of resources	Direct energy (Megawatt hours equivalent)		
	Liquefied natural gas	0	79.7
	Gasoline	203.9	103.2
	Indirect energy (Megawatt hours)		
	Electric power	7,133.1	6,955.2
	Total energy consumption (Megawatt hours equivalent)	7,337.1	7,138.1
	Energy intensity (calculated by production volume, i.e. "Megawatt hours equivalent/10,000 items")	1.10	1.13

	Type	Consumption for the Year	Consumption in 2018
Use of water resources	Total water consumption (m^3)	43,783	60,069
	Intensity of water consumption (calculated by number of employees, i.e. "tons/ number of employees")	69.61	105.38

	Type	Consumption for the Year	Consumption in 2018
Use of packaging materials	Total packaging materials (tons)	773	758
	Intensity of packaging materials (calculated by production volume, i.e. "tons/10,000 items")	0.12	0.12

Social Performance

Employee Distribution		Number of employees for the Year	Number of employees in 2018
Gender	Male	223	230
	Female	406	354
Type of employment	Senior management	7	8
	Middle management	31	27
	General staff	591	549
Form of employment	Full-time	629	/
	Part-time	0	/
Age	Below 30	192	253
	30–40	330	209
	41–50	90	103
	Above 50	17	19
	Gender ratio (male: female)	0.55:1	0.65:1
Total		629	584

Employee Distribution			Distribution and percentage of resigned employees	Distribution and percentage of new employees
Gender	Male	223	23 (10.3%)	25 (11.2%)
	Female	406	73 (18.0%)	116 (28.6%)
Form of employment	Full-time	629	96 (15.3%)	141 (22.4%)
	Part-time	0	0	0
Age	Below 30	192	30 (15.6%)	61 (31.8%)
	30–40	330	44 (13.3%)	73 (22.1%)
	41–50	90	14 (15.6%)	7 (7.8%)
	Above 50	17	8 (47.1%)	0
Total number and percentage			Statistics for the Year	
			96 (15.3%)	141 (22.4%)
			Statistics in 2018	
			209 (35.8%)	249 (42.6%)

Occupational safety and health performance	Indicator
Work-related fatalities and percentage	0 (0%)
Number and percentage of employees who suffered from work-related injuries	0 (0%)
Lost working days due to work-related injuries	0
Total days of absence	3,957

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Training		Distribution and percentage of employees receiving training	Training hours (hours)	Average training hours (hours)[6]
Gender	Male	223 (100%)	4,307	19.3
	Female	406 (100%)	7,084	17.4
Type of employment	Senior management	7 (100%)	385	55.0
	Middle management	31 (100%)	1,550	50.0
	General staff	591 (100%)	9,456	16.0
Total number of employees receiving training and training hours			Statistics for the Year	
		629 (100%)	11,391	18.1
			Statistics in 2018	
		466 (80%)	1,901	3.3

Regions in which the suppliers are located	Number of suppliers	Provision of products or services	Number of suppliers implementing the relevant practices
Beijing, Tianjin and Hebei	27	Raw materials and packaging	100%
Jiangsu, Zhejiang and Shanghai	45	Raw materials	100%
Shandong, Anhui and Hunan	9	Raw materials	100%
Guangzhou and other regions	15	Packaging	100%

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

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended December 31, 2019.

PRINCIPAL ACTIVITIES

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

The activities and particulars of the Company's subsidiaries are shown under Note 32 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year ended December 31, 2019 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year ended December 31, 2019, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. A discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" in this annual report. In addition, a description of the environmental policies and performance of the Company is set out in the section headed "Environmental, Social and Governance Report" in this annual report. These discussions form part of this directors' report.

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended December 31, 2019 are set out on pages 74 to 80 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2019 (2018: Nil).

DIVIDEND POLICY

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

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

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

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

CLOSURE OF THE REGISTER OF MEMBERS FOR 2020 AGM

For determining the entitlement to attend and vote at the 2020 AGM to be held on June 16, 2020, the register of members of the Company will be closed from June 11, 2020 to June 16, 2020, both days inclusive, and during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on June 10, 2020.

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended December 31, 2019 are set out in Note 14 to the consolidated financial statements on page 120 of this annual report.

SHARE CAPITAL

No new ordinary Share was issued during the year ended December 31, 2019. Details of the movements in share capital of the Company during the year are set out in Note 24 to the consolidated financial statements on page 132 of this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2019, other than the Pre-IPO Share Option Scheme and Share Option Scheme as set out in the section under "Pre-IPO Share Option Scheme and Share Option Scheme" and Note 28 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2019 are set out in Note 25 and Note 33 to the consolidated financial statements on page 133 and page 142 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2019, the Company's distributable reserves were RMB3,078.2 million.

BORROWINGS

Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 22 to the consolidated financial statements.

DONATIONS

During the year ended December 31, 2019, the Group did not make any charitable donations (2018: Nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2019.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

DIRECTORS

The Board during the year ended December 31, 2019 and up to the date of this report consists of the following six Directors:

Executive Director

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

Non-executive Directors

Mr. JIANG Liwei(Note)
Mr. LIN Junshan

Independent Non-executive Directors

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

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

In accordance with Article 108 of the Articles, Ms. Yue'e ZHANG and Mr. JIANG Liwei will retire as Directors at the 2020 AGM. The above retiring Directors, being eligible, will offer themselves for re-election at the 2020 AGM.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 14 to 16 in the section headed "Profile of Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has issued a letter of appointment to each of Ms. Yue'e ZHANG, the executive Director, and Mr. JIANG Liwei, a non-executive Director, for a term of 3 years from February 3, 2018 and March 31, 2019, respectively. The Company has also issued a letter of appointment to each of Mr. LIN Junshan, a non-executive Director, and independent non-executive Directors for a term of three years from October 15, 2019. The term of office of each of the Directors is subject to termination, and termination notice can be served either by the Director or the Company. The appointment may be renewed in accordance with the Articles and the applicable rules.

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

CONTRACT WITH DIRECTORS AND CONTROLLING SHAREHOLDER

No contract of significance has been entered into among the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries during the year ended December 31, 2019.

DIRECTOR'S INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party, and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2019.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

The remuneration (including fees, salaries and other benefits, and retirement benefit scheme contribution) paid to the Directors in aggregate for the year ended December 31, 2019 was approximately RMB2.6 million.

The remuneration (including salaries and other benefits, and retirement benefit scheme contribution) paid to the Group's five highest paid individuals in aggregate for the year ended December 31, 2019 was approximately RMB4.4 million.

For the year ended December 31, 2019, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended December 31, 2019.

Details of the Directors' emoluments and the emoluments of the five highest paid individuals in the Group are set out in Note 9 to the consolidated financial statements on pages 113 to 114 of this annual report.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this annual report and in Note 28 to the consolidated financial statements on page 137 of this annual report.

Save as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2019, by the Group to or on behalf of any of the Directors.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESS

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

DEED OF NON-COMPETITION

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

The Covenantors declared that they have complied with the Non-competition Deed for the year ended December 31, 2019. The independent non-executive Directors have conducted such review for the year ended December 31, 2019 and also reviewed the relevant undertakings and are satisfied that the Non-competition Deed has been fully complied.

PENSION SCHEME

Details of the pension scheme of the Company are set out in Note 3.18 to the consolidated financial statements.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout the year ended December 31, 2019.

MANAGEMENT CONTRACTS

Other than the Directors' appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended December 31, 2019.

LOAN AND GUARANTEE

During the year ended December 31, 2019, the Group had not made any loan or provided any guarantee for any loan, directly or indirectly, to the Directors, senior management, its ultimate controlling Shareholder or their respective connected persons.

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at December 31, 2019, other than the loan agreement as disclosed in the announcements of the Company dated September 20, 2018 and September 20, 2019 as required under Rule 13.18 of the Listing Rules, there were no other matters that gave rise to a disclosure required under Rule 13.18 of the Listing Rules. Details of the aforesaid loan agreement are set out in Note 22 to the consolidated financial statements.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

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

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

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

Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the year ended December 31, 2019 are set out below:

	Number of options					
Name of option holder	**Outstanding as at January 1, 2019**	**Granted during the year**	**Exercised during the year (Note)**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at December 31, 2019**
Director of the Company						
Mr. WANG Xiaogang	118,471	—	—	—	—	118,471
Total	118,471	—	—	—	—	118,471

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

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

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

The Pre-IPO Share Option Scheme does not fall within the ambit of, and are not subject to, the regulations under Chapter 17 of the Listing Rules. Details of the impact of options granted under the Pre-IPO Share Option Scheme on the financial statements since the date of grant and the subsequent financial periods are set out under Note 28 to the consolidated financial statements.

Share Option Scheme

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

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

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

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

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

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

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

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

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at December 31, 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long position in ordinary Shares

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

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

Name of Director	Capacity	Number of underlying Shares in respect of the share options granted	Approximate percentage+ of underlying Shares over the Company's issued share capital
Mr. WANG Xiaogang	Beneficial owner	118,471	0.008%

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

\+ The percentage represents the number of ordinary Shares/underlying Shares interested divided by the number of the issued Shares as at December 31, 2019.

Save as disclosed above and in the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" and to the best knowledge of the Directors, as at December 31, 2019, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at December 31, 2019, 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 December 31, 2019.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2019, no person had registered an interest or a short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customer accounted for approximately 7.6% of the Group's total revenue from continuing operations. The Group's five largest customers accounted for approximately 21.0% of the Group's total revenue from continuing operations.

In the year under review, the Group's largest supplier accounted for approximately 5.4% of the Group's total cost of sales from continuing operations. The Group's five largest suppliers accounted for 19.7% of the Group's total cost of sales from continuing operations.

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

EMPLOYEES

The Group had approximately 1,022 employees as at December 31, 2019, as compared to 1,079 employees as at December 31, 2018. 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 emolument policy for the employees of the Group is set up by the Board based on their merit, qualification and competence.

RETIREMENT BENEFITS SCHEME

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

CONTINUING CONNECTED TRANSACTION

During the year ended December 31, 2019, the Group has not entered into any connected transaction or continuing connected transaction which is required to be disclosed pursuant to Rule 14A.71 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2019 are set out in Note 29 to the consolidated financial statements contained herein.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2017 were audited by PricewaterhouseCoopers.

BDO Limited was appointed as the auditor of the Company for filling the casual vacancy caused by the retirement of PricewaterhouseCoopers at the 2018 AGM. The consolidated financial statements of the Group for the years ended December 31, 2018 and December 31, 2019 were audited by BDO Limited. BDO Limited will retire as auditor of the Company at the forthcoming 2020 AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as the auditor of the Company will be proposed at the 2020 AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2019, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board
Yue'e ZHANG
Chairman

Hong Kong, March 27, 2020

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of PW Medtech Group Limited (the "Company") and its subsidiaries (together as the "Group") set out on pages 74 to 148, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment assessment of goodwill

As at 31 December 2019, the carrying amount of goodwill was approximately RMB161 million. Goodwill acquired through business combinations has been primarily allocated to the cash-generating unit ("CGU") of the Infusion Set Business.

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

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

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

Our response:

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

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

Impairment assessment of trade receivables

As at 31 December 2019, trade receivables which aged over one year amounted to approximately RMB64,197,000 (2018: RMB105,600,000), which represented approximately 39% (2018: 52%) of the total trade receivables. The Group is therefore exposed to a risk of default in respect of trade receivables. The bad debt provision was RMB25,047,000 as at 31 December 2019 (2018: RMB9,550,000).

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

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

Our response:

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

- evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses;
- assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices;
- assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; and
- inspecting cash receipts from customers after the financial year end relating to trade receivables balances as at 31 December 2019, on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate number P05309

Hong Kong, 27 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Continuing operations			
Revenue	5(b)	**362,183**	310,813
Cost of sales		**(140,056)**	(115,570)
Gross profit		**222,127**	195,243
Other losses — net	6	**(11,398)**	(19,732)
Fair value loss on investment properties	15	**(1,650)**	—
Selling and marketing expenses		**(101,157)**	(72,917)
General and administrative expenses		**(65,240)**	(58,086)
(Provision for)/reversal of impairment losses recognised in respect of trade receivables		**(15,497)**	14,079
Research and development expenses		**(25,514)**	(26,905)
Operating profit		**1,671**	31,682
Finance cost — net	7	**(28,684)**	(5,869)
Share of result of an associate		**112,821**	100,762
Profit before income tax	8	**85,808**	126,575
Income tax expenses	10	**(3,839)**	(11,064)
Profit for the year from continuing operations		**81,969**	115,511
Discontinued operations			
Gain on disposal of subsidiaries, net of tax		**—**	1,550,802
Profit for the year		**81,969**	1,666,313
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(10,062)**	(2,890)
Share of exchange differences reserve of an associate		**44,057**	80,741
Reclassification from exchange differences reserve to profit or loss on			
— disposal of subsidiaries		**—**	(8,342)
— deemed disposal of an associate		**(195)**	(2,150)
— deregistration of a subsidiary		**(1,417)**	—
Items that will not be subsequently reclassified to profit or loss			
Gain on revaluation of property, plant and equipment on transfer of investment properties	15	**—**	3,435
Deferred tax liability on recognition of revaluation of properties		**—**	(859)
Other comprehensive income for the year		**32,383**	69,935
Total comprehensive income for the year		**114,352**	1,736,248

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Profit for the year attributable to:			
Owners of the Company		**81,982**	1,665,614
Non-controlling interests		**(13)**	699
		81,969	1,666,313
Profit attributable to owners of the Company arises from:			
Continuing operations		**81,982**	114,812
Discontinued operations		**—**	1,550,802
		81,982	1,665,614
Total comprehensive income for the year attributable to:			
Owners of the Company		**114,365**	1,735,549
Non-controlling interests		**(13)**	699
		114,352	1,736,248
Total comprehensive income attributable to owners of the Company arises from:			
Continuing operations		**114,365**	184,747
Discontinued operations		**—**	1,550,802
		114,365	1,735,549
		RMB Cents	RMB Cents
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the year	12		
Basic earnings per share			
From continuing operations		**5.22**	7.32
From discontinued operations		**—**	98.85
		5.22	106.17
Diluted earnings per share			
From continuing operations		**5.22**	7.32
From discontinued operations		**—**	98.85
		5.22	106.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Land use rights	13	—	33,608
Property, plant and equipment	14	**725,214**	709,348
Right-of-use assets	26	**23,027**	—
Investment properties	15	**276,493**	278,143
Intangible assets	16	**181,113**	184,437
Interest in an associate	17	**3,699,401**	3,568,906
Deferred income tax assets	23	**9,174**	2,514
Long-term prepayments		**23,552**	13,403
Trade receivables	19	**11,200**	—
		4,949,174	4,790,359
Current assets			
Inventories	18	**36,384**	40,365
Trade and other receivables	19	**206,225**	235,062
Amount due from an associate	29(b)	**27,449**	27,497
Prepaid income tax		—	2,723
Cash and cash equivalents	30	**132,598**	98,964
Total current assets		**402,656**	404,611
Total assets		**5,351,830**	5,194,970
Current liabilities			
Trade and other payables	20	**98,498**	94,641
Amount due to an associate	29(b)	**28,086**	27,952
Lease liabilities	22	**2,545**	—
Bank borrowings	22	**587,071**	567,724
Tax payables		**5,925**	—
Total current liabilities		**722,125**	690,317
Net current liabilities		**(319,469)**	(285,706)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Deferred tax liabilities	23	**3,727**	9,633
Deferred government grants	21	**17,489**	883
Total non-current liabilities		**21,216**	10,516
NET ASSETS		**4,608,489**	4,494,137
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**965**	965
Share premium		**1,492,937**	1,492,937
Retained earnings		**2,610,761**	2,528,779
Reserves	25	**503,985**	471,602
		4,608,648	4,494,283
Non-controlling interests		**(159)**	(146)
TOTAL EQUITY		**4,608,489**	4,494,137

The financial statements on pages 74 to 148 were approved by the Board of Directors on 27 March 2020 and were signed on its behalf by:

Yue'e ZHANG
DIRECTOR

LIN Junshan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves (note 25) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2018	964	1,492,318	401,903	863,165	2,758,350	183,661	2,942,011
Comprehensive income							
Profit for the year	—	—	—	1,665,614	1,665,614	699	1,666,313
Other comprehensive income							
Currency translation differences	—	—	(2,890)	—	(2,890)	—	(2,890)
Share of other comprehensive income of an associate	—	—	80,741	—	80,741	—	80,741
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	—	—	(8,342)	—	(8,342)	—	(8,342)
Exchange differences reclassified to profit or loss upon deemed disposal	—	—	(2,150)	—	(2,150)	—	(2,150)
Gain on revaluation of investment properties	—	—	3,435	—	3,435	—	3,435
Deferred tax liability on recognition of revaluation of properties	—	—	(859)	—	(859)	—	(859)
Total comprehensive income for the year	—	—	69,935	1,665,614	1,735,549	699	1,736,248
Exercise of employee share option	1	619	(236)	—	384	—	384
Disposal of subsidiaries	—	—	—	—	—	(184,506)	(184,506)
At 31 December 2018	965	1,492,937	471,602	2,528,779	4,494,283	(146)	4,494,137
Comprehensive income							
Profit for the year	—	—	—	**81,982**	**81,982**	**(13)**	**81,969**
Other comprehensive income							
Currency translation differences	—	—	**(10,062)**	—	**(10,062)**	—	**(10,062)**
Deregistration of a subsidiary	—	—	**(1,417)**	—	**(1,417)**	—	**(1,417)**
Share of other comprehensive income of an associate	—	—	**44,057**	—	**44,057**	—	**44,057**
Exchange differences reclassified to profit or loss upon deemed disposal	—	—	**(195)**	—	**(195)**	—	**(195)**
Total comprehensive income for the year	—	—	**32,383**	**81,982**	**114,365**	**(13)**	**114,352**
At 31 December 2019	**965**	**1,492,937**	**503,985**	**2,610,761**	**4,608,648**	**(159)**	**4,608,489**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES			
Profit before income tax including discontinued operations		**85,808**	1,677,377
Adjustments for:			
Depreciation of property, plant and equipment	14	**25,198**	16,824
Depreciation of right-of-use assets	26	**881**	—
Amortisation of intangible assets	16	**3,324**	3,390
Amortisation of land use rights	13	—	1,045
Loss on disposal of property, plant and equipment		**11,177**	58
Gain on disposal of subsidiaries, net of tax		—	(1,550,802)
Share of results from associated company	17	**(112,821)**	(100,762)
Loss on deemed disposal of an associate	17	**26,188**	3,882
Fair value loss on investment properties	15	**1,650**	—
Loss on financial guarantee	6	**1,592**	26,186
Interest expense	7	**30,124**	8,609
Interest income	7	**(1,626)**	(1,399)
Unrealised exchange (gains)/losses		**(1,605)**	1,846
Provision for/(reversal of) impairment of trade receivables	34(b)	**15,497**	(14,079)
Operating cash flows before movements in working capital		**85,387**	72,175
Decrease in inventories		**3,981**	5,001
Decrease in trade and other receivables		**9,340**	16,471
Increase/(decrease) in deferred government grants		**16,606**	(200)
(Decrease)/increase in trade and other payables		**(7,564)**	13,838
Cash generated from operations		**107,750**	107,285
Income taxes paid		**(7,757)**	(9,580)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**99,993**	97,705
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(22,174)**	(4,249)
Payments for development costs of construction in progress		**(25,212)**	(119,456)
Interest received		**1,626**	1,399
Purchases of intangible assets		—	(16)
Purchases of financial assets at fair value through profit or loss		—	(5,900)
Proceeds from disposal of subsidiaries		—	9,043
Increase in interest in associated company		—	(551,778)
Income tax paid for disposal of subsidiaries		—	(247,501)
Proceeds from disposal of property, plant and equipment		—	754
NET CASH USED IN INVESTING ACTIVITIES		**(45,760)**	(917,704)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES	30		
Payment for lease liabilities		**(202)**	—
Proceeds from exercise of employee share options		**62**	324
Increase in bank borrowings		**10,000**	567,724
Interest paid on bank borrowings		**(30,114)**	(8,609)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(20,254)**	559,439
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33,979**	(260,560)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(345)**	(4,735)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**98,964**	364,259
CASH AND CASH EQUIVALENTS AT END OF YEAR			
represented by bank balances and cash		**132,598**	98,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

PW Medtech Group Limited (the "Company") was incorporated in the Cayman Islands on 13 May 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is the Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 November 2013.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the development, manufacturing and sale of advanced infusion set products (the "Infusion Set Business").

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

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2018 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015–2018 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015–2018 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015–2018 Cycle	Amendments to HKAS 23, Borrowing Costs

A. HKFRS 16 — Leases

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

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2019 (Continued)

A. HKFRS 16 — Leases (Continued)

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

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.35%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	577
Discounted using the lessee's incremental borrowing rate at the date of initial application	565
Add: payables for purchase of land use right recognised as at 31 December 2018	4,277
(Less): short-term leases recognised on a straight-line basis as expense	(270)
Lease liabilities recognised as at 1 January 2019	4,572
Of which are:	
Current lease liabilities	4,470
Non-current lease liabilities	102
	4,572

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2019 (Continued)

A. HKFRS 16 — Leases (Continued)

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

	RMB'000
Leasehold land and land use rights	33,608
Properties	295
Total right-of-use assets	33,903

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

	RMB'000
Right-of-use assets — increase by	33,903
Lease prepayment for land use right, net — decrease by	(33,608)
Trade and other payables — decrease by	4,277
Lease liabilities — increase by	(4,572)
	—

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

— the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

— reliance on previous assessments on whether leases are onerous

— the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

— the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

— the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and

— to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of transition to HKFRSs.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2019 (Continued)

A. HKFRS 16 — Leases (Continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liability

— any lease payments made at or before the commencement date less any lease incentives received

— any initial direct costs, and

— restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2019 (Continued)

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

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

— how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty

— that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored

— that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment

— that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

— that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the consolidated financial statements.

Except for the abovementioned, in the current year, the Group has applied a number of amendments to HKFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

(b) Potential impact arising on HKFRSs not yet effective

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

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

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

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

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

HKFRS 17 Insurance Contracts

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to HKFRS 17 addresses concerns and implementation challenges that were identified after HKFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of HKFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

HKFRS 10 and HKAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

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

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

Amendments to HKAS 1 and HKAS 8 Definition of material

The amendments are intended to make the definition of material in HKAS 1 easier to understand and are not intended to alter the underlying concept of materiality in HKFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in HKAS 8 has been replaced by a reference to the definition of material in HKAS 1. In addition, the HKICPA amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

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

The consolidated financial statements have been prepared on a going concern basis which notwithstanding that the Group has net current liabilities of RMB319,469,000 as at 31 December 2019. The directors of the Company have prepared the consolidated financial statements based on a going concern due to reasons below:

(a) The Company has been granted a new borrowing on 29 February 2020 from the Industrial and Commercial Bank of China amounted to RMB220,000,000 which is repayable in 2025. Besides this borrowing, the directors expect that the Company is capable of sourcing other new bank facilities, if necessary, after taking all relevant factors into consideration.

(b) Pursuant to the Company's circular on 18 October 2019, the Company has conditionally agreed to sell 1,000,000 shares in CBPO, at the Sale Price of US$101.0 per share, the aggregate consideration is US$101.0 million (approximately RMB714.4 million). The transaction is agreed by shareholders of the Company on 7 November 2019. The directors believe that the transaction is very likely to be completed. The directors expect that the consideration of the transaction can be used to meet its liabilities when fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Functional and presentation currency

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

3.4 Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Associates

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Principles of consolidation and equity accounting (Continued)

(iii) Equity accounting

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

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

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

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

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

(iv) Changes in ownership interests

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Business combinations

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

— fair values of the assets transferred,

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

— equity interests issued by the Group,

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

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

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

The excess of the

— consideration transferred,

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

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

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

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

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

3.6 Separate financial statements

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Foreign currency translation

(i) Transactions and balances

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

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

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

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

(ii) Group companies

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

(1) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Foreign currency translation (Continued)

(ii) Group companies (Continued)

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

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

3.8 Land use rights

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

3.9 Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Property, plant and equipment (Continued)

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

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

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

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

3.10 Intangible assets

(i) Goodwill

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

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

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

(ii) Customer relationship

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Intangible assets (Continued)

(iii) Trademarks and technology know-how

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

(iv) Computer software

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

(v) Amortisation methods and periods

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

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

3.11 Investment properties

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

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

3.12 Impairment of non-financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

3.14 Financial Instruments

(i) Financial assets

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

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

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

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial Instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income ("FVOCI") are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

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

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

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

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

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

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

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

Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial Instruments (Continued)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECLs provision measured in accordance with principles of the accounting policy set out in Note 3.14(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial Instruments (Continued)

(vii) Derecognition

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

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

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

3.15 Inventories

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

3.16 Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Income taxes

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Income taxes (Continued)

(ii) Deferred income tax (Continued)

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

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

(iii) Investment allowances and similar tax incentives

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

3.18 Employee benefits

(i) Pension obligations

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

(ii) Housing benefits

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

(iii) Bonus entitlements

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Share based payments

(i) Equity-settled share-based payment transactions

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

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

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

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

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

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

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

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

(ii) Share-based payment transactions among group entities

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

3.20 Provisions and contingent liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Provisions and contingent liabilities (Continued)

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

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

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

3.21 Revenue recognition

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Revenue recognition (Continued)

Sales of advanced infusion set products

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

In the comparative period, sales of medical devices and related products are recognised when the risk and reward of the goods has been transferred to the customer, which is usually at the date when a Group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Interest income

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

Dividend income

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

3.22 Government grants

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

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

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

3.23 Leases (accounting policies applied from 1 January 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in HKFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Leases (accounting policies applied from 1 January 2019) (Continued)

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Leases (accounting policies applied from 1 January 2019) (Continued)

(i) As a lessee (Continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies HKFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in HKFRS 9 to the net investment in the lease (see Note 3.14(ii)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from HKFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Leases (accounting policies applied until 31 December 2018)

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

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

The Group as lessor

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

3.25 Related parties

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

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the Group's parent.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Dividend distribution

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

3.27 Research and development

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

3.28 Capitalisation of borrowing costs

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Provision for taxes

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

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

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

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

(b) Estimated impairment of goodwill

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

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

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

(c) Useful lives of property, plant and equipment

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

(d) Fair value of measurement

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

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

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

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

The Group measures investment properties at fair value.

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

5. SEGMENT REPORTING

(a) Business segments

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

For the year ended 31 December 2019, 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.

	2019 RMB'000	2018 RMB'000
Customer segments		
Revenue from hospitals	**69,678**	58,736
Revenue from medical products distributors	**292,505**	252,077
	362,183	310,813
Timing of revenue recognition		
Recognised at a point of time	**362,183**	310,813

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

(c) Concentration of customers

Revenues of approximately RMB27,692,000 (2018: RMB22,547,000) are derived from a single external customer.

6. OTHER LOSSES — NET

	2019 RMB'000	2018 RMB'000
Government grants	**7,838**	9,533
Gain on deregistration of a subsidiary	**1,417**	—
Rental income	**10,624**	—
Rental management income	**7,144**	—
Loss on disposal of property, plant and equipment	**(11,177)**	(58)
Loss on financial guarantee (Note)	**(1,592)**	(26,186)
Loss on deemed disposal of an associate (Note 17)	**(26,188)**	(3,882)
Others	**536**	861
Other losses — net	**(11,398)**	(19,732)

Note:

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

On 10 July 2017, the litigation of second instance commenced and the Plaintiff submitted new evidence to support its ground to grant loan to the Borrower. On 24 November 2018, the litigation of second instance (the "Second Instance Judgement") completed, the Borrower shall undertake the principal and interest of the above loan, and Joint Guarantor shall undertake joint guarantee liability for it. Retrial application was proposed by the Group.

On 11 July 2018, the Group received a judgement from the Supreme People's Court of the PRC which rejected the Group's retrial application and affirmed the Second Instance Judgement. In the view of unfavourable judgement and significant amount of accumulated interest incurred for the above loan (24% of interest rate per annum), after assessing the risk relating to the joint guarantee liability, the directors of the Company accrued a loss provision which included the principal and accumulated interest of the above loan as of 31 December 2019. At the date of approval of the consolidated financial statements, the Group is considering to make claims against the Joint Guarantor and the former owners of Xuzhou Yijia to claim such loss. The loss recognised during the year represents the interest on the guarantee liability for the year.

7. FINANCE COST — NET

	2019 RMB'000	2018 RMB'000
Finance income		
Net foreign exchange gain	—	1,341
Interest income on short-term bank deposits	**1,626**	1,399
	1,626	2,740
Finance costs		
Interest on bank loans	**(30,114)**	(8,609)
Net foreign exchange loss	**(186)**	—
Interest on lease liabilities	**(10)**	—
	(30,310)	(8,609)
Finance cost — net	**(28,684)**	(5,869)

8. PROFIT BEFORE TAXATION

	2019 RMB'000	2018 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments (Note 9)	**2,562**	3,410
Staff costs (excluding directors' emoluments):		
Wages, salaries and bonuses	**82,731**	74,394
Staff welfare	**5,986**	4,879
Social security costs	**9,598**	7,525
Housing fund	**1,651**	1,189
Total staff costs	**99,966**	87,987
Auditor's remuneration:		
— Audit services	**1,200**	1,200
— Non-audit services	**381**	253
Provision for /(reversal of) impairment of trade receivables (Note 34(b))	**15,497**	(14,079)
Depreciation of property, plant and equipment (Note 14)	**25,198**	16,824
Depreciation of right-of-use assets (Note 26)		
— Properties	**197**	—
— Leasehold land and land use right	**684**	—
Amortisation of intangible assets (Note 16)	**3,324**	3,390
Amortisation of land use rights (Note 13)	—	1,045
Raw materials and consumable used	**61,775**	48,085

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the six (2018: six) directors were as follows:

For the year ended 31 December 2019	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chief executive officer and officer and executive director						
— Ms. Yue'e ZHANG	—	1,039	—	—	—	1,039
Non-executive director						
— Mr. JIANG Liwei	—	663	—	—	29	692
— Mr. LIN Junshan	—	300	—	—	—	300
Independent non-executive directors						
— Mr. CHEN Geng	—	177	—	—	—	177
— Mr. WANG Xiaogang	—	177	—	—	—	177
— Mr. ZHANG Xingdong	—	177	—	—	—	177
	—	2,533	—	—	29	2,562

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

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

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2018: two) directors whose emoluments are reflected in the analysis shown in above. The emoluments payable to the remaining three (2018: three) individuals during the year are as follows:

	2019 RMB'000	2018 RMB'000
Basic salaries and allowances	2,427	1,923
Social security costs	84	136
Housing fund	119	56
	2,630	2,115

The emoluments were within the following bands:

	2019 Number of individuals	2018 Number of individuals
Nil to HK$1,000,000	3	2
HK$1,000,001 to HK$1,500,000	—	1

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

	2019 Number of individuals	2018 Number of individuals
Nil to HK$1,000,000	3	2
HK$1,000,001 to HK$1,500,000	—	1
HK$1,500,001 to HK$2,000,000	—	1

10. TAXATION

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

	2019 RMB'000	2018 RMB'000
Current income tax PRC Income Tax for the year	**16,405**	8,617
Deferred income tax (Note 23)	**(12,566)**	2,447
Income tax expense	**3,839**	11,064

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

(a) Cayman Islands profits tax

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

(b) Hong Kong profits tax

Companies incorporated in Hong Kong are subject to the Hong Kong profits tax at a rate of 16.5% (2018: 16.5%).

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

Under the Law of the PRC on CIT (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% (2018: 25%).

Two subsidiaries (2018: 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 year (2018: 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.

10. TAXATION (Continued)

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

	2019 RMB'000	2018 RMB'000
Profit before taxation from continuing operations	**85,808**	126,575
Tax calculated at statutory tax rates applicable to profits in the respective countries	**22,085**	31,644
Tax effect of:		
Preferential income tax rates applicable to subsidiaries	**(5,067)**	(8,071)
Additional deductible allowance for research and development expenses (note (i))	**(1,185)**	(1,995)
Tax effect of expenses not deductible for tax purpose	**12,006**	7,188
Tax effect of temporary differences	**(2,790)**	445
Tax effect of share of profits from an associate	**(28,205)**	(25,191)
Tax effect of estimated tax losses not recognised	**7,333**	7,027
Adjustment in respect of prior years	**(338)**	17
Income tax expense for the year	**3,839**	11,064

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

11. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2019.

	2019 RMB'000	2018 RMB'000
Profit attributable to owners of the Company:		
Continuing operations	**81,982**	114,812
Discontinued operations	—	1,550,802
	81,982	1,665,614
Weighted average number of ordinary shares in issue (thousands)	**1,569,246**	1,568,771
Basic earnings per share:		
Continuing operations (RMB cents per share)	**5.22**	7.32
Discontinued operations (RMB cents per share)	—	98.85
	5.22	106.17

12. EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

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

	2019 RMB'000	2018 RMB'000
Profit attributable to owners of the Company:		
Continuing operations	**81,982**	114,812
Discontinued operations	**—**	1,550,802
	81,982	1,665,614
Weighted average number of ordinary shares in issue (thousands)	**1,569,246**	1,568,771
Adjustments for:		
— Share options (thousands)	**46**	61
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,569,292**	1,568,832
Diluted earnings per share:		
Continuing operations (RMB cents per share)	**5.22**	7.32
Discontinued operations (RMB cents per share)	**—**	98.85
	5.22	106.17

13. LAND USE RIGHTS

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

	2019 RMB'000	2018 RMB'000
In the PRC, held on:		
Leases of between 47 to 50 years	—	33,608

	2019 RMB'000	2018 RMB'000
At beginning of year	**33,608**	47,118
Transfer to investment properties	—	(12,465)
Amortisation charge	—	(1,045)
Transfer to right-of-use asset (Note 2(a))	**(33,608)**	—
At end of year	—	33,608

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Leasehold improvements RMB'000	Furniture, fittings and office equipment RMB'000	Machinery and equipment RMB'000	Motor vehicle RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2018							
Cost	191,130	6,831	7,994	72,592	6,380	621,633	906,560
Accumulated depreciation	(25,340)	(2,243)	(2,960)	(33,665)	(4,532)	—	(68,740)
Net book amount	165,790	4,588	5,034	38,927	1,848	621,633	837,820
Year ended 31 December 2018							
Opening net book amount	165,790	4,588	5,034	38,927	1,848	621,633	837,820
Additions	93	—	1,056	3,413	688	146,157	151,407
Disposals	(160)	—	—	(575)	(77)	—	(812)
Transfer to investment properties (note 15)	(262,243)	—	—	—	—	—	(262,243)
Transfer from construction in progress	684,434	1,140	51	12,955	—	(698,580)	—
Depreciation	(7,755)	(386)	(1,263)	(6,803)	(617)	—	(16,824)
Closing net book amount	580,159	5,342	4,878	47,917	1,842	69,210	709,348
At 31 December 2018							
Cost	613,254	7,971	9,016	87,573	5,689	69,210	792,713
Accumulated depreciation	(33,095)	(2,629)	(4,138)	(39,656)	(3,847)	—	(83,365)
Net book amount	580,159	5,342	4,878	47,917	1,842	69,210	709,348
Year ended 31 December 2019							
Opening net book amount	**580,159**	**5,342**	**4,878**	**47,917**	**1,842**	**69,210**	**709,348**
Additions	**—**	**—**	**2,984**	**9,012**	**29**	**39,318**	**51,343**
Disposals	**(9,756)**	**—**	**(25)**	**(490)**	**(8)**	**—**	**(10,279)**
Transfer from construction in progress	**13,627**	**—**	**—**	**—**	**—**	**(13,627)**	**—**
Depreciation	**(16,472)**	**(505)**	**(1,216)**	**(6,584)**	**(421)**	**—**	**(25,198)**
Closing net book amount	**567,558**	**4,837**	**6,621**	**49,855**	**1,442**	**94,901**	**725,214**
At 31 December 2019							
Cost	**611,321**	**7,971**	**11,794**	**92,740**	**5,436**	**94,901**	**824,163**
Accumulated depreciation	**(43,763)**	**(3,134)**	**(5,173)**	**(42,885)**	**(3,994)**	**—**	**(98,949)**
Net book amount	**567,558**	**4,837**	**6,621**	**49,855**	**1,442**	**94,901**	**725,214**

15. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2018	—
Additions — transferred from property, plant and equipment and land use right (notes 13&14)	278,143
At 31 December 2018	278,143
Fair value adjustments	(1,650)
At 31 December 2019	276,493

On 31 December 2018, the Group transferred certain of its property interest held under operating leases with carrying value of approximately RMB262,243,000 from property, plant and equipment, and RMB12,465,000 from land use rights to investment properties. The property interest with the land use right were revalued to RMB278,143,000 as initial cost value while the resulting revaluation surplus of approximately RMB3,435,000 at the date of transfer was credited to the revaluation reserves (note 25) in equity.

The fair value of the Group's investment properties at 31 December 2019 was approximately RMB276,493,000. The fair values of the Group's investment properties at 31 December 2018 and 2019 have been arrived at on market value basis carried out by Beijing Guorongxinghua Assets Appraisal Co., Ltd., an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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

	2019	2018
Growth rate of revenue	**4.0%**	4.0%
Discount rate	**7.1%**	7.3%

The fair values of the investment properties at 31 December 2018 and 2019 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the year.

16. INTANGIBLE ASSETS

	Goodwill RMB'000	Computer software RMB'000	Trademarks RMB'000	Technology know-how RMB'000	Customer relationship RMB'000	Total RMB'000
At 1 January 2018						
Cost	160,754	858	11,755	36,440	5,012	214,819
Accumulated amortisation	—	(575)	(5,226)	(16,195)	(5,012)	(27,008)
Net book amount	160,754	283	6,529	20,245	—	187,811
Year ended 31 December 2018						
Opening net book amount	160,754	283	6,529	20,245	—	187,811
Addition	—	16	—	—	—	16
Amortisation charge	—	(177)	(784)	(2,429)	—	(3,390)
Closing net book amount	160,754	122	5,745	17,816	—	184,437
At 31 December 2018						
Cost	160,754	874	11,755	36,440	5,012	214,835
Accumulated amortisation	—	(752)	(6,010)	(18,624)	(5,012)	(30,398)
Net book amount	160,754	122	5,745	17,816	—	184,437
Year ended 31 December 2019						
Opening net book amount	**160,754**	**122**	**5,745**	**17,816**	**—**	**184,437**
Amortisation charge	**—**	**(112)**	**(784)**	**(2,428)**	**—**	**(3,324)**
Closing net book amount	**160,754**	**10**	**4,961**	**15,388**	**—**	**181,113**
At 31 December 2019						
Cost	**160,754**	**874**	**11,755**	**36,440**	**5,012**	**214,835**
Accumulated amortisation	**—**	**(864)**	**(6,794)**	**(21,052)**	**(5,012)**	**(33,722)**
Net book amount	**160,754**	**10**	**4,961**	**15,388**	**—**	**181,113**

16. INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

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

The recoverable amounts of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.5% (2018: 2.5%), which does not exceed the long-term growth rate for the garment production industry in the People's republic of China.

	2019	2018
Gross profit margin	**61.3%**	62.8%
Growth rate	**2.5%**	2.5%
Discount rate	**15.2%**	17.6%

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

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

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

17. INTEREST IN AN ASSOCIATE

As at 31 December 2019, the Group held 16.44% (2018:16.06%) equity interest in CBPO. CBPO is a limited liability company incorporated in the Cayman Islands. Its shares are listed on NASDAQ Stock Market. CBPO and its subsidiaries are principally engaged in the research, development, manufacturing and sales of human plasma-based biopharmaceutical products.

Although the Group's equity interest in CBPO is less than 20%, the directors of the Company consider that they have power to exercise significant influence on CBPO as 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 year ended 31 December 2019, the equity interest held by the Group in CBPO changes as below:

(a) Following a share purchase scheme approved by the board of directors of CBPO, the associate repurchased 1,196,228 shares at a total amount of US$111 million. The reduction of share in issue through share repurchase transaction results in an increase in ownership interest in CBPO for the Group. The interest increased from 16.06% to 16.52%, with no change in the carrying amount of interest in an associate.

(b) During the year ended 31 December 2019, the equity interest held by the Group in CBPO was diluted from 16.52% to 16.44% 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 RMB26,188,000 is recognised in "Other losses — net" in the consolidated statement of comprehensive income.

17. INTEREST IN AN ASSOCIATE (Continued)

	2019 RMB'000	2018 RMB'000
Share of net assets	**2,311,883**	2,256,147
Goodwill	**1,387,518**	1,312,759
	3,699,401	3,568,906

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

Name of company	Form of business structure	Place of incorporation/ operations	Percentage of ownership interest/voting rights/profit share	Principal activity
China Biologic Products Holdings, Inc.	Corporation	Cayman Islands/ PRC	16.44% (2018: 16.06%)	Research, development, manufacturing and sales of human plasma-based biopharmaceutical products

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

	2019 RMB'000	2018 RMB'000
As at 31 December		
Current assets	**9,056,120**	9,306,410
Non-current assets	**6,589,597**	6,820,261
Current liabilities	**(835,227)**	(846,061)
Non-current liabilities	**(304,846)**	(291,197)
Net assets	**14,505,644**	14,989,413
Net assets attributable to owners of the equity	**13,990,365**	14,189,709
Group's share of the net assets of the associate	**2,311,883**	2,256,147

17. INTEREST IN AN ASSOCIATE (Continued)

	2019 RMB'000	2018 RMB'000
Year ended 31 December		
Revenues	**3,473,019**	3,089,525
Profit for the year	**874,006**	745,830
Other comprehensive income	**(140,534)**	(420,908)
Total comprehensive income	**733,472**	324,922
Profit for the year attributable to owners of the equity	**695,685**	613,080
Other comprehensive income attributable to owners of the equity	**(117,835)**	(375,609)
Total comprehensive income attributable to owners of the equity	**577,850**	237,471
Dividends received from the associate	**—**	—

18. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**15,369**	15,750
Work in progress	**6,541**	10,197
Finished goods	**14,474**	14,418
	36,384	40,365

19. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables (i)	**163,639**	203,802
Bills receivable (ii)	**6,303**	1,650
Prepayments and deposits	**7,127**	8,679
Receivables from disposal of Orthopaedic Implant Business	**—**	1,966
Value added tax recoverable	**15,970**	16,750
Other receivables	**24,386**	2,215
	217,425	235,062
Trade receivables — non-current	**(11,200)**	—
Trade and other receivables — current portion	**206,225**	235,062

(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.

	2019 RMB'000	2018 RMB'000
Up to 3 months	**42,948**	42,282
3 months to 6 months	**28,249**	28,733
6 months to 12 months	**28,245**	27,187
1 year to 2 years	**20,096**	89,462
2 years to 3 years	**44,101**	16,138
	163,639	203,802

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

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

Non-current portion of the trade receivables

During the year ended 31 December 2019, the Group 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.

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

20. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**13,348**	15,475
Salary and staff welfare payables	**22,545**	21,116
Advances from customers	**13,266**	11,370
Deposits received	**2,411**	1,515
Payables for purchase of land use rights	**—**	4,277
Value added tax and other taxes	**4,038**	2,903
Professional service fee	**3,269**	4,036
Loss from financial guarantee (Note 6)	**17,744**	26,186
Deferred government grant — current portion (Note 21)	**442**	—
Other payables	**21,435**	7,763
	98,498	94,641

As at 31 December 2019 and 2018, 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:

	2019 RMB'000	2018 RMB'000
Up to 6 months	**10,592**	12,981
6 months to 12 months	**1,015**	1,383
Over 1 year	**804**	442
2 years to 3 years	**361**	621
Over 3 years	**576**	48
	13,348	15,475

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21. DEFERRED GOVERNMENT GRANTS

	2019 RMB'000	2018 RMB'000
At beginning of year	**883**	1,083
Additions (Note)	**17,690**	—
Released to profit or loss	**(642)**	(200)
At end of year	**17,931**	883
Current portion	**442**	—
Non-current portion	**17,489**	883
	17,931	883

Note: During the year ended 31 December 2019, the Group received government grants amounting to RMB17,690,000, mainly for the construction of the new production plants. Such government grants were recorded as deferred government grants and would be credited to the consolidated statement of comprehensive income over the useful life of the corresponding assets using straight-line method.

22. LOANS AND BORROWINGS

	2019 RMB'000	2018 RMB'000
Current liabilities		
Bank loan due for repayment within one year (Note (a))	**577,071**	567,724
Trade finance borrowings due to repayment within one year which contained a repayable on demand clause (Note (b))	**10,000**	—
Total bank borrowings	**587,071**	567,724
Lease liabilities — current portion	**2,545**	—
Loans and borrowings — repayable within one year	**589,616**	567,724

Note:

(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 RMB577,071,000) (the "Loan") for a term of one year. The Loan was 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. As at the date of this report, Mrs. Liu Yufeng, directly or indirectly, owns approximately 36.65% of the issued share capital of the Company and is the controlling shareholder of the Company.

The loan is repayable on 21 September 2020 and the interest is charged at LIBOR plus 2.685% per annum. The Loan is secured by 3,162,854 shares of CBPO.

(b) The bank borrowing represents trade finance advanced from the Bank of Beijing. As at 31 December 2019, 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, of which RMB10,000,000 is utilised by the Company as at 31 December 2019.

All of the banking facilities are subject to the fulfilment 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.

22. LOANS AND BORROWINGS (Continued)

Lease liabilities

	Properties RMB'000	Leasehold land RMB'000	Total RMB'000
At 1 January 2019			
Addition	295	4,277	4,572
Interest expense	10	—	10
Lease payments	(202)	—	(202)
Disposal	—	(1,835)	(1,835)
At 31 December 2019	103	2,442	2,545

Future lease liabilities are payable as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
At 1 January 2019			
Not later than one year	4,480	(10)	4,470
Later than one year and not later than five years	103	(1)	102
	4,583	(11)	4,572

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
At 31 December 2019			
Not later than one year	2,546	(1)	2,545

The present value of future lease payments are analysed as:

	2019 RMB'000
Current liabilities	**2,545**

23. DEFERRED TAX ASSETS AND LIABILITIES

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

	Provision for impairment of receivables RMB'000	Write-down of inventories RMB'000	Depreciation allowance RMB'000	Fair value Surplus on acquisition of subsidiaries RMB'000	Fair value surplus arising from revaluation of PPE RMB'000	Deferred government grant RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	3,886	1,259	—	(9,490)	—	—	(18,957)	(23,302)
Initial application of HKFRS 9	265	—	—	—	—	—	—	265
Disposal of subsidiaries	—	—	—	—	—	—	19,224	19,224
Charge (credit) to profit or loss for the year	(2,719)	(504)	10	716	—	—	50	(2,447)
Charge (credit) to other comprehensive income for the year	—	—	—	—	(859)	—	—	(859)
At 31 December 2018	1,432	755	10	(8,774)	(859)	—	317	(7,119)
Charge to profit or loss for the year	2,325	—	19	5,493	413	4,312	4	12,566
At 31 December 2019	**3,757**	**755**	**29**	**(3,281)**	**(446)**	**4,312**	**321**	**5,447**

At 31 December 2019, the Group had estimated unutilised tax losses of approximately RMB11,740,000 (2018: RMB22,708,000) available for offsetting against future assessable profits arising in the PRC. No deferred tax asset has been recognised due to the unpredictability of future profit streams. These tax losses will expire in 2020 to 2025.

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

	2019 RMB'000	2018 RMB'000
Non-current portion		
Deferred tax assets	**9,174**	2,514
Deferred tax liabilities	**(3,727)**	(9,633)
	5,447	(7,119)

24. SHARE CAPITAL

	Number of ordinary shares	Share capital RMB'000
Issued and fully paid:		
Balance at 1 January 2018	1,568,632,086	964
Proceeds from employee share option exercised (Note)	614,012	1
Balance at 31 December 2018 and 2019	1,569,246,098	965

Note: Options exercised during the year ended 31 December 2018 resulted in 614,012 shares being issued, total proceeds amounted to HK$438,000 (equivalent to RMB384,000) of which HK$370,000 (equivalent to RMB322,000) were received in 2018 and the remaining have been received during the year. The related weighted average price of the Company's share at the time of exercise was HK$1.46 per share. No options were exercised during the year ended 31 December 2019.

25. OTHER RESERVES

	Merger reserve Note (i) RMB'000	Translation reserve RMB'000	Capital reserve Note (ii)(iii) RMB'000	Share option reserve RMB'000	Revaluation reserves RMB'000	Total RMB'000
The Group						
At 1 January 2018	63,964	6,688	330,900	351	—	401,903
Currency translation differences	—	(2,890)	—	—	—	(2,890)
Share of other comprehensive income of an associate	—	80,741	—	—	—	80,741
Exchange differences reclassified to profit or loss upon deemed disposal of an associate	—	(2,150)	—	—	—	(2,150)
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	—	(8,342)	—	—	—	(8,342)
Gain on revaluation of investment properties	—	—	—	—	3,435	3,435
Deferred tax liability on recognition of revaluation of properties	—	—	—	—	(859)	(859)
	—	67,359	—	—	2,576	69,935
Exercise of employee share option	—	—	—	(236)	—	(236)
At 31 December 2018	63,964	74,047	330,900	115	2,576	471,602
Currency translation differences	—	(10,062)	—	—	—	(10,062)
Deregistration of a subsidiary	—	(1,417)	—	—	—	(1,417)
Share of other comprehensive income of an associate	—	44,057	—	—	—	44,057
Exchange differences reclassified to profit or loss upon deemed disposal of an associate	—	(195)	—	—	—	(195)
At 31 December 2019	**63,964**	**106,430**	**330,900**	**115**	**2,576**	**503,985**

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

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

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

In August 2018, Tianxinfu dividends RMB96,500,000, of which RMB12,658,000 was attributable to Xinyu Yongshuo.

26. LEASES

HKFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in Note 3.23.

(a) Leases as lessee

The Group leases warehouse and factory facilities. The leases typically run for a period of one to two years. Lease payments are renegotiated every one to two years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under HKAS 17. Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as Right-of-use assets.

	Properties RMB'000	Leasehold land and land use rights RMB'000	Total RMB'000
2019			
Balance at 1 January	295	33,608	33,903
Depreciation charge for the year	(197)	(684)	(881)
Disposal	—	(9,995)	(9,995)
Balance at 31 December	98	22,929	23,027

26. LEASES (Continued)

(a) Leases as lessee (Continued)

(ii) Amounts recognised in profit or loss

	RMB'000
2019 — Leases under HKFRS 16	
Interest on lease liabilities	10
Expenses relating to short-term leases	864
	874
Aggregate undiscounted commitments for short term leases	151

(iii) Operating leases under HKAS 17 (2018)

	2018 RMB'000
Minimum leases payments	1,614

The total future minimum lease payments are due as follows:

	2018 RMB'000
Within one year	448
In the second to fifth years inclusive	129
	577

(iv) Amounts recognised in statement of cash flows

	RMB'000
2019	
Total cash outflow for leases	(202)

26. LEASES (Continued)

(b) Leases as lessor

The Group leases out its investment properties which are its owned commercial properties. All leases are classified as operating leases from a lessor perspective. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during 2019 was RMB10,624,000.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2019 RMB'000
Within one year	**16,929**
One to two years	**12,076**
In the third to fifth years inclusive	**23,532**
	52,537

27. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Commitments for the acquisition of:		
Property, plant and equipment	**30,416**	8,111

28. SHARE BASED PAYMENTS

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

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

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

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

	2019	2018
Outstanding at 1 January	**118,471**	732,719
Forfeited during the year	—	(236)
Exercised during the year	—	(614,012)
Outstanding at 31 December	**118,471**	118,471

The exercise price of options outstanding at the end of the year was RMB 0.626 (2018: RMB 0.626) and their weighted average remaining contractual life was 4 years (2018: 5 years).

Of the total number of options outstanding at the end of the year, 118,471 (2018: 118,471) had vested and were exercisable at the end of the year.

The weighted average share price at the date of exercise of options exercised during 2018 was HK$1.46.

29. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

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

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

	2019 RMB'000	2018 RMB'000
Short-term benefits	**3,465**	5,001
Post-employment benefits	**203**	319
	3,668	5,320

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

(b) Amounts due from/(to) an associate

The amounts due from/(to) an associate and related companies are interest-free, unsecured and repayable on demand, arising from balances due from CBPO and balances due to a CBPO's subsidiary.

30. NOTES SUPPORTING CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	2019 RMB'000	2018 RMB'000
Cash available on demand	**55,098**	77,464
Short-term deposits (note)	**77,500**	21,500
	132,598	98,964

Note:

The balance represents short-term bank deposits with an original maturity of three months or less. The Group's bank balances deposited in the banks in the PRC carry prevailing market interest rates ranging from 2.0% to 2.8% (2018: from 2.0% to 2.9%) per annum.

The Group's bank balances that are denominated in foreign currencies of the relevant group entities (whose functional currency is RMB) are set out as below:

	2019 RMB'000	2018 RMB'000
Denominated in USD	**7,836**	1,300
Denominated in HK$	**1,125**	23,945

30. NOTES SUPPORTING CASH FLOW STATEMENT (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2018	—	—	—
Changes from financing cash flows			
Proceeds from new borrowings	567,724	—	567,724
At 31 December 2018	567,724	—	567,724
Initial application of HKFRS16	—	4,572	4,572
Restated balance at 1 January 2019	567,724	4,572	572,296
Changes from financing cash flows			
Proceeds from new bank borrowings	10,000	—	10,000
Payment of lease liabilities	—	(202)	(202)
Interest paid	(30,114)	—	(30,114)
Total changes from financing cash flows	(20,114)	(202)	(20,316)
Other changes			
Interest expense	30,114	10	30,124
Exchange differences	9,347	—	9,347
Disposal of land use right	—	(1,835)	(1,835)
Total liability related other changes	39,461	(1,825)	37,636
At 31 December 2019	587,071	2,545	589,616

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost	**354,375**	352,844
Financial liabilities		
Financial liabilities at amortised cost	**696,043**	654,928

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 2018 and 2019. The directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

32. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2019 were as follows:

Company name	Place of incorporation and operation/kind of legal entity	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Effective equity interests held 31 December		Principal activities
				2019	2018	
Directly owned:						
PWM Investment Holdings Company Limited (Note)	Hong Kong/Limited liability company	30 October 2009	211,447,750 ordinary shares of Hong Kong dollar ("HK$") 1 each	**–**	100%	Investment holding
Health Access Limited ("Health Access")	Hong Kong/Limited liability company	29 June 2011	480,026,001 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Indirectly owned:						
PW Medtech (Beijing) Limited (普華和順(北京)醫療科技有限公司 "PW Medtech (Beijing)")	PRC/Limited liability company	10 August 2000	RMB154,300,000	**100%**	100%	Investment holding
Jiangsu PW Medtech Medical Device Co., Ltd. (江蘇普華和順醫療器械有限公司)	PRC/Limited liability company	10 April 2014	RMB10,000,000	**100%**	100%	Infusion Set Business
Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司 "Fert Technology")	PRC/Limited liability company	23 September 1997	RMB126,000,000	**100%**	100%	Infusion Set Business
Xuzhou Yijia Medical Device Co., Ltd. (徐州一佳醫療器械有限公司 "Xuzhou Yijia")	PRC/Limited liability company	30 June 2003	RMB7,000,000	**100%**	100%	Infusion Set Business
Beijing Zhong Jie Tian Gong Medtech Co., Ltd. (北京中傑天工醫療科技有限公司)	PRC/Limited liability company	22 September 2011	RMB10,000,000	**100%**	100%	Infusion Set Business
Shandong Fert Technology Co., Ltd. (山東伏爾特技術有限公司)	PRC/Limited liability company	8 January 2013	RMB10,000,000	**100%**	100%	Infusion Set Business
Shandong Fert Medical Device Co., Ltd. (山東伏爾特醫療器械有限公司)	PRC/Limited liability company	28 July 2015	RMB20,000,000	**100%**	100%	Infusion Set Business
Beijing Fert Medtech Co., Ltd. (北京伏爾特醫療科技有限公司)	PRC/Limited liability company	18 October 2016	RMB30,000,000	**100%**	100%	Infusion Set Business

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

Note: The subsidiary was deregistered on 4 November 2019.

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

(a) Statement of financial position of the Company

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Investments in and loans to subsidiaries		**419,969**	588,027
Investment in an associate		**3,393,431**	3,393,431
		3,813,400	3,981,458
Current assets			
Amounts due from subsidiaries		**187,251**	187,251
Amount due from an associate		**27,673**	27,721
Trade and other receivables		**157**	3,345
Cash and cash equivalents		**123**	38,649
		215,204	256,966
Total ASSETS		**4,028,604**	4,238,424
Current liabilities			
Amounts due to subsidiaries		**133,439**	511,576
Amount due to an associate		**224**	224
Bank loan		**577,071**	567,724
Trade and other payables		**2,606**	3,412
		713,340	1,082,936
NET ASSETS		**3,315,264**	3,155,488
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**965**	965
Share premium		**1,492,937**	1,492,937
Other reserves		**236,067**	17,583
Retained earnings		**1,585,295**	1,644,003
TOTAL EQUITY		**3,315,264**	3,155,488

The statement of financial position of the Company was approved by the Board of Director on 27 March 2020 and was signed on its behalf by:

Yue'e ZHANG
DIRECTOR

LIN Junshan
DIRECTOR

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

(b) Reserves movement of the Company

	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2018	1,492,318	—	9,376	(62,991)	1,438,703
Profit and total comprehensive income for the year	—	—	—	1,706,994	1,706,994
Exercise of employee share option	619	—	(236)	—	383
Currency translation differences	—	—	8,443	—	8,443
At 31 December 2018	1,492,937	—	17,583	1,644,003	3,154,523
Loss and total comprehensive expense for the year	—	—	—	(58,708)	(58,708)
Deregistration of a subsidiary	—	—	239,275	—	239,275
Currency translation differences	—	—	(20,791)	—	(20,791)
At 31 December 2019	**1,492,937**	**—**	**236,067**	**1,585,295**	**3,314,299**

No dividend was paid or proposed during the year, nor has any dividend been proposed since 31 December 2018 and 2019.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2019, if HK$ and US$ had strengthened/weakened by 3% against RMB (2018: 3%), with all other variables held constant, which were considered reasonably possible at each of the dates by management, the profit for the year would have been approximately RMB14,296,000 (2018: RMB13,591,000) lower/higher, mainly as a result of foreign exchange differences on translation of balances of cash and cash equivalents and bank loan denominated as below:

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents — denominated in		
RMB	**123,637**	73,719
HK$	**1,125**	23,945
US$	**7,836**	1,300
Total	**132,598**	98,964
Bank loans — denominated in		
RMB	**10,000**	—
US$	**577,071**	567,724
Total	**587,071**	567,724

(ii) Cash flow and fair value interest rate risk

Other than bank balances with variable interest rates, the Group has no other significant interest bearing assets. Management does not anticipate any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises primarily from bank borrowings (note 22). Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained profits by approximately RMB490,200 (2018: RMB474,000).

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group exposes to commodity price risk, mainly due to the fluctuations in prices of plastic, which are the key raw materials to the Group's products of its Infusion Set Business. During the year, the management considers the price risk exposure is not material, and the Group has the flexibility to pass the increases in raw material costs to the Group's customers.

(b) Credit risk

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

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are state-owned commercial banks in China or public listed companies. Most of the bank deposits of the Group are placed with commercial banks with an acceptable credit rating.

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

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicated significantly different loss patterns for different customer segments, the grouping for trade receivables for the assessment of ECLs is by customer segments, while Group C 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:

	Group A	Group B	Group C
2019			
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**

	Group A	Group B	Group C	Group D
2018				
Expected credit loss rate (%)	1.73	1.19	0.03	7.31
Gross carrying amount	57,173	46,227	330	109,622
Loss allowance	992	550	—	8,008

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

Trade receivables (Continued)

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

	2019 RMB'000	2018 RMB'000
Balance at 1 January	**9,550**	23,629
Provision for/(reversal of) impairment losses recognised during the year	**15,497**	(14,079)
Balance at 31 December	**25,047**	9,550

Other receivables

Other receivables represent advances due from employee and rental income receivables. It is considered to be low risk as the borrower is considered, in the short term, to have a strong capacity to meet its obligations, and therefore the impairment provision is determined as 12 months expected credit losses. The loss allowance for debt investments as a result of applying the expected credit risk model was immaterial.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the year end of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end) and the earliest date the Group may be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
The Group			
2019			
Non-derivatives:			
Amount due to an associate	**28,086**	**28,086**	**28,086**
Trade and other payables	**78,341**	**78,341**	**78,341**
Bank borrowings	**587,071**	**616,559**	**616,559**
Lease liabilities	**2,545**	**2,546**	**2,546**
	696,043	**725,532**	**725,532**
2018			
Non-derivatives:			
Amount due to an associate	27,952	27,952	27,952
Trade and other payables	59,252	59,252	59,252
Bank borrowing	567,724	595,215	595,215
	654,928	682,419	682,419

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. As at 31 December 2019, the gearing ratio of the Group was approximately 11.30% (2018: 11.22%). This ratio is calculated as bank borrowings divided by total capital. Total borrowings is current bank borrowings as shown in the consolidated statement of financial position. Total capital is calculated as "total equity" as shown in the consolidated statement of financial position plus bank borrowings.

35. EVENTS AFTER THE REPORTING PERIOD

The Assessment of the Impact of the Coronavirus Disease 2019

Since the outbreak of Coronavirus Disease 2019 (“COVID-19”) in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19, which was issued by the People’s Bank of China, the Ministry of Finance, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthen financial support for the epidemic prevention and control. The COVID-19 has certain impacts on the business operation and overall economy in some areas or industries, including in Beijing and all major cities in the PRC. This may affect the revenue for the Group’s operation on sales of infusion set products and the associate’s financial performance as those businesses located in the PRC, and the degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this report, the assessment is still in progress.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2020.

PW MEDTECH GROUP LIMITED

普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

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