PW MEDTECH GROUP LIMITED
普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01358.HK)

2017
ANNUAL REPORT

A TRUE PIONEER IN THE CHINESE MEDICAL DEVICES 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 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 rapid development.

Currently as China's second largest and Beijing's largest advanced infusion sets manufacturer, the Group produces advanced infusion sets including non-PVC-based infusion sets, precision filter infusion sets and light resistant infusion sets. 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 of the production of non-PVC-based infusion sets. The Group also holds patented double-layer tubing design for non-PVC-based infusion sets.

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

MILESTONES

1997

Fert Technology was founded

2001

Walkman Biomaterial was founded

2002

Tianxinfu and Shenzhen Bone were founded

2008

Acquired Walkman Biomaterial and entered into Orthopedic Implant Business

2011

Acquired Fert Technology and entered into Infusion Set 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

2014

Acquired Tianxinfu and entered into Regenerative Medical Biomaterial Business

2016

Disposed of equity interests in Walkman Biomaterial and Shenzhen Bone, two subsidiaries engaging in Orthopedic Implant Business

2017

Entered into the Share Exchange Agreement with CBPO to subscribe for the equity interest equivalent to 16.66% of the enlarged issued share capital of CBPO by way of disposal of the equity interest in Tianxinfu. After which, the Group has become the single largest shareholder of CBPO

KEY FINANCIALS

- Revenue from continuing operations for the year ended December 31, 2017 amounted to approximately RMB286.9 million, representing a decrease of 10.2% from approximately RMB319.6 million recorded in 2016.
- Gross profit from continuing operations for the year ended December 31, 2017 amounted to approximately RMB174.5 million, representing a decrease of 17.0% from approximately RMB210.3 million recorded in 2016.
- Profit attributable to owners of the Company for the year ended December 31, 2017 amounted to approximately RMB122.1 million, representing a decrease of 37.4% from approximately RMB194.9 million recorded in 2016.
- Profit attributable to owners of the Company from continuing operations for the year ended December 31, 2017 amounted to approximately RMB33.1 million, representing a decrease of 69.7% from approximately RMB109.1 million recorded in 2016.

FINANCIAL SUMMARY

	For the Year Ended December 31,				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000 (Restated)	**2017 RMB'000**
Revenue*	457,083	608,059	515,587	319,583	**286,913**
Profit before income tax*	113,863	211,322	245,377	127,843	**45,081**
Profit for the year*	91,003	176,630	204,227	107,633	**33,777**
Profit attributable to:*					
Owners of the Company	77,905	176,630	204,227	109,136	**33,119**
Non-controlling interests	13,098	—	—	(1,503)	**658**

	As at December 31,				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Total assets	2,129,161	2,382,537	2,539,276	2,487,111	**3,168,653**
Total liabilities	230,465	271,211	240,611	153,109	**225,139**
Equity attributable to the owners of the company	1,898,696	2,110,159	2,297,498	2,334,338	**2,759,853**

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

CHAIRMAN'S STATEMENT

It is a great honor for me, on behalf of the Board, to present the annual report of the Company for the financial year ended December 31, 2017.

In 2017, the reform of China's medical and health system continued. Under the macro-environment of medical insurance cost control and the reform of the supply in medical care industry, the living standard of Chinese people constantly improved with a heightened social concern over healthy lifestyle. The pharmaceutical industry showed a rapid growth momentum accordingly. In order to tackle the problem of long-term reliance on imported advanced medical devices, the Chinese government launched policies consecutively to encourage the development of the industry last year, which in turn promoted further expansion in the market size and growth of the local medical device industry into one of the sectors with the greatest development potential in the future. According to the Annual Report on the Development of Medical Device Industry in China (2017) (中國醫療器械行業發展報告(2017)), China has become one of the major producers and major consumers of medical device in the world. The R&D and production of advanced medical devices were highly promising and various innovative products were launched ahead of schedule. In 2017, the Chinese government implemented various policies favouring the medical care industry. In particular, the General Office of the Central Committee of the Communist Party of China (中共中央辦公廳) and the General Office of the State Council (國務院辦公廳) published the Opinions to comprehensively enhance the efficiency in assessment and approval as well as encourage the innovation of drugs and medicals devices. Further, the Opinions focused on certain measures ranging from reforming the management of clinical trials, accelerating the assessment and approval of market launch, to strengthening the management on medical devices throughout the life cycle so as to provide a new growth driver for the rapid development of the medical devices industry.

With the leading position in the medical device industry of China and its own strong R&D capabilities, the Group endeavours to seize the development opportunities, actively responds to the challenges in the industry and promotes the upgrade and development of the industry. Through exploring new horizons for the medical care industry and enhancing product portfolio, the Group is well-prepared in expanding its market share in the future.

BUSINESS REVIEW

For the year ended December 31, 2017, the Group's revenue from continuing operations and profit from continuing operations were RMB286.9 million and RMB33.8 million, representing a decrease of 10.2% and 68.6% compared with those of 2016, respectively.

The Group focuses on R&D and supply of advanced infusion sets. It has developed into a leading enterprise of advanced infusion sets in China. Over the years, the Group has maintained its leading position in the domestic advanced infusion sets market. The "Fert (伏爾特)" brand under the Group has been focusing on providing a comprehensive solution for infusion therapy. It has developed a series of product portfolio and now continues to improve infusion techniques through R&D to provide safer and more effective user experience to patients. During the year, the Group's disposable intravenous cannula products recorded rapid development. The team of professional sales and clinical specialists of the Group's cannula business department possesses extensive experience and solid strengths. Our core salesmen have many years of sales experience in the medical field on average and all of our clinical specialists were senior front-line nursing staff from hospitals. Looking forward, we will focus on the development and cultivation of this team and strive to enhance the market competitiveness of our products with our best endeavours.

"LE SEUL (諾頌)", our medical-cosmetic-graded facial mask brand founded in 2016, will also pursue the philosophy of "quality and safety come first" and provide safe medical beauty skin repair solution to consumers. During last year, LE SEUL launched various innovative products, generally tackling various skin conditions of consumers and catering to their escalated demands on beauty care. The products received positive response upon launch.

CHAIRMAN'S STATEMENT

Apart from focusing on organic growth derived from its existing business segments, the Group also continues to seek strategic opportunities to develop through acquisitions and integration of advantages. On October 12, 2017, the Company entered into the Share Exchange Agreement with CBPO, pursuant to which, the Group agreed to subscribe for 5,521,000 shares of CBPO in consideration of the entire issued share capital of Health Forward, which owns 80% equity interest in Tianxinfu (a former subsidiary of the Group engaging in the R&D, production and sale of regenerative medical biomaterials). The Closing was completed on January 1, 2018. The Group currently owns equity interests representing 16.66% of the enlarged issued share capital of CBPO and has become its single largest shareholder. CBPO 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. The Group believes that the acquisition can help the Group expand into a new industry and further strengthen the Group's leading position, which is in line with the Group's long-term development strategy. As the revised "Measures for the Administration of Lot Release of Biological Products" (《生物製品批簽發管理辦法》) has been implemented nationwide since February 1, 2018, the release procedure for biological products including blood products will become more refined and market information will be further improved, which shall create a better business environment for large-scale plasma product providers who supply quality products and is conducive to the sustainable and steady development in the future.

Strong R&D capability is one of the essential elements to the Group's success. During the year ended December 31, 2017, the Group boasted an experienced R&D team who not only made valuable contributions to the provision of new products and improvement of product features but also satisfied diverse treatment needs of patients.

FUTURE PROSPECTS

As a leader in the medical device industry of China, with the benefits driven by the favorable government policy and market potential, the Company will continue to focus on the development of the Infusion Set Business in the future while continuing to expand its market penetration and distribution network, and thus making contributions to China's medical care industry. Meanwhile, through equity injection into CBPO, the Group will maximize the synergy for the development of the Infusion Set Business riding on the resources and network advantage of CBPO in the domestic and foreign market. The Group will take advantage of the policy benefits and promising opportunities for the industry to introduce and nurture high-quality talents, strengthen R&D investment and develop comprehensive and quality product portfolio at competitive prices, with a view to maintaining our competitive edges in the market.

APPRECIATION

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

Chairman of the Board
Yue'e ZHANG

March 28, 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Yue'e ZHANG *(Chairman)*
Mr. JIANG Liwei *(CEO)*

Non-executive Director

Mr. LIN Junshan

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. SO Yee Kwan, *ACS, ACIS*

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. JIANG Liwei
Ms. SO Yee Kwan

AUDIT COMMITTEE

Mr. WANG Xiaogang *(Chairman)*
Mr. LIN Junshan
Mr. CHEN Geng

REMUNERATION COMMITTEE

Mr. CHEN Geng *(Chairman)*
Mr. LIN Junshan
Mr. ZHANG Xingdong

NOMINATION COMMITTEE

Ms. Yue'e ZHANG *(Chairman)*
Mr. WANG Xiaogang
Mr. ZHANG Xingdong

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REGISTERED OFFICE

The Grand Pavilion Commercial Centre
Oleander Way, 802 West Bay Road
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Grand Cayman KY1-1208
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Wangjing, Chaoyang District
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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 ADVISORS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE AND BOARD LOT

Stock Code: 1358
Board Lot: 1,000

WEBSITE

www.pwmedtech.com

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 two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Ms. Yue'e ZHANG (張月娥)	54	Chairman and executive Director	May 13, 2011
Mr. JIANG Liwei (姜黎威)	50	CEO and executive Director	June 21, 2013
Non-executive Director			
Mr. LIN Junshan (林君山)	55	Non-executive Director	June 21, 2013
Independent non-executive Directors			
Mr. ZHANG Xingdong (張興棟)	80	Independent non-executive Director	October 14, 2013
Mr. CHEN Geng (陳庚)	47	Independent non-executive Director	October 14, 2013
Mr. WANG Xiaogang (王小剛)	44	Independent non-executive Director	October 14, 2013

Executive Directors

Ms. Yue'e ZHANG (張月娥), aged 54, is the chairman of the Board, 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 the general manager and executive director of WP Medical Technologies, Inc. and she is also an early founder 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 over 20 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).

Mr. JIANG Liwei (姜黎威), aged 50, is the CEO and an executive Director. Mr. JIANG has over 20 years of management experience in the medical device industry. Prior to joining the Group in February 2013, Mr. JIANG was the head of China for Biomet China Co., Ltd. (邦美(上海)商貿有限公司) from 2008 to 2013 and the general manager of Trauson (China) Medical Instrument Co., Ltd. (創生醫療器械(中國)有限公司) from 2005 to 2008. He also held various management positions with Zimmer (Shanghai) Medical International Trading Co., Ltd. (捷邁(上海)醫療國際貿易有限公司) from 1999 to 2005 and Smith & Nephew Medical (Shanghai) Limited (施樂輝醫用產品國際貿易(上海)有限公司) from 1997 to 1999. Mr. JIANG was a resident doctor for a few years upon graduation from Shanghai Second Medical University (上海第二醫科大學) (now School of Medicine, Shanghai Jiaotong University (上海交通大學醫學院)) with a bachelor's degree in clinical medicine in July 1991.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. LIN Junshan (林君山), aged 55, 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. ZHANG Xingdong (張興棟), aged 80, is an independent non-executive Director and a member of both the Remuneration Committee and the Nomination Committee. Mr. ZHANG is a professor at Sichuan University (四川大學), and an Academician of the Chinese Academy of Engineering (中國工程院院士). He also serves as the President of the International Union of Societies for Biomaterials Science and Engineering (IUSBSE), Director of the CFDA Executive Committee on the Classification of Medical Devices, Director of National Technical Committee 248 on Biological Evaluation on Medical Device of Standardization, and Medical Biomaterial Chief Scientific Adviser of Sichuan Languang Development Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600466). He has more than 10 honorary titles, including Foreign Member of the U.S. National Academy of Engineering (美國國家工程院外籍院士), IUSBSE Fellow of Biomaterials Science and Engineering, Fellow of the American Institute of Medical and Biological Engineering etc. Mr. ZHANG has been dedicated to the R&D, and commercialization of tissue inducing biomaterials products and medical implants such as dental implants, osteoinductive synthetic bone, and artificial hip joints for more than 30 years. His research has received numerous awards, such as National Science and Technology Progress Award, National Natural Science Award, and Clemson Award for Applied Research. Mr. ZHANG graduated from Sichuan University with a bachelor's degree in solid state physics in 1960.

Mr. CHEN Geng (陳庚), aged 47, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. CHEN has been the vice president of Peking University Resources (Holdings) Company Limited (name changed from "EC-Founder (Holdings) Company Limited" on October 25, 2013; a company listed on the Main Board of the Stock Exchange, stock code: 618) since May 2013. He served as EC-Founder (Holdings) Company Limited's executive president from 2005 to 2006 and executive director from 2006 to May 2013. He was also an executive director of Founder Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 418) from 2006 to 2011 and the vice president of New Auto Group (新奧特集團) from 2004 to 2005, and had worked in various investment firms in the PRC, garnering extensive experience in finance and management. Mr. CHEN has obtained the qualification of senior economist (高級經濟師) from China State Construction Engineering Corporation Limited (中國建築工程總公司) in October 2010. He graduated from Northwest University (西北大學) with a bachelor's degree in administrative management in July 1993 and later received an EMBA degree from Guanghua School of Management, Peking University (北京大學光華管理學院) in January 2005.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Xiaogang (王小剛), aged 44, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee. 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.

SENIOR MANAGEMENT

Mr. JIANG Liwei (姜黎威), aged 50, is the CEO and an executive Director. His biographical details are set out above under the section headed "Profile of Directors and Senior Management — Executive Directors" in this annual report.

Mr. HUA Wei (華煒), aged 47, 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 41, is the Company's vice president. Prior to joining the Group in January 2014, Mr. CHEN was a senior manager at PricewaterhouseCoopers LLP and 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. 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

In 2017, the global economy maintained a steady recovery trend, with various major economies entering into their up-cycles and their economic and trading activities continuing to pick up. With the macro economy of China continuing to grow and the national living standard having improved significantly in recent years, public health awareness has been enhanced gradually and there is growing demand for medical services. Such change of living conditions not only enormously fueled the growth of Chinese medical services and medical device market, but also created huge potential for overall industry development, which has significantly contributed to the rapid expansion of industry scale.

Medical device industry is one of the strategic emerging industries in the PRC. It plays an important role in improving clinical medical technology, strengthening prevention and control of disease and safeguarding public health. The Central Economic Work Conference in 2018 specifically highlighted that the government will explore practical solutions for the social problem of "inadequate and overly expensive medical services" and encourage the market to invest in medical sector in the coming years, which is in line with the overall goal of building a "moderately prosperous society". In order to support continuous and steady growth of the industry, in recent years, the Chinese government successively promulgated a number of favorable policies supporting innovation and development of the industry. In particular, in the Special Plan for Technological Innovation for Medical Devices during the 13th Five-Year Period (十三五醫療器械科技創新專項規劃), the Chinese government expressly stated its intention to accelerate the development of the medical device industry in the PRC. The government has also proposed the localization of advanced medical devices. Various measures will be implemented to promote the development of domestic advanced medical device companies focusing on "localization, advanced development, brand building and internationalization", with a view to laying a solid foundation for the long-term stable development of the medical device industry. Meanwhile, the Chinese government also expressed its commitment to promoting the use of domestically-manufactured advanced medical devices in major Class III Grade A hospitals nationwide and will implement further measures to encourage the development of advanced medical device industry. In addition, the PRC government published the Opinions on October 8, 2017, which has brought significant policy changes to the industry. The Opinions expressly stated that the government will support the structural adjustment and technological innovation of the industry in every aspect by means of accelerating the examination and approval of the commercialization of medical devices, reforming the management of clinical trials, managing medical devices throughout the life cycle and enhancing the ability to support examination and approval. With the support of these favourable national policies, PW Medtech expects that the medical device industry will have great development opportunities and will develop in a more healthy and orderly manner.

MANAGEMENT DISCUSSION AND ANALYSIS

PW Medtech is a leading medical device company in the PRC with a focus on fast-growing and high-margin segments of medical device industry of the PRC. The Group has been proactively exploring new markets with high growth potential and striving to capture every market opportunity to reinforce its leading position in the industry. In 2017, the Group made great efforts to expand its product portfolio and production capacity and enhance its innovation and R&D capabilities, and continued to expand its business coverage. Following the expansion of its production line in 2016 into cosmetic products through the launch of "LE SEUL", a medical-cosmetic-graded mask brand, the Group furthered its success by entering into the Share Exchange Agreement with CBPO for the acquisition of its 16.66% equity interests during the year. Immediately following the Closing, the Company became CBPO's single largest shareholder and officially expanded into the plasma-based pharmaceutical industry with huge potential for growth, which has further optimized the business layout and enhanced the comprehensive competitiveness of the Group.

As of December 31, 2017, the Group's revenue from continuing operations was RMB286.9 million, representing a decrease of 10.2% over 2016. As of December 31, 2017, the Group's profit for the year and profit attributable to owners of the Company from continuing operations amounted to RMB33.8 million and RMB33.1 million, respectively, representing a decrease of 68.6% and 69.7% over last year, respectively. The Group recorded a gross profit from continuing operations of RMB174.5 million as of December 31, 2017, representing a decrease of 17.0% over last year. As of December 31, 2017, the overall gross profit margin from continuing operations was 60.8%.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

With regard to the Infusion Set Business, the Group has been focusing on the R&D and continuous improvement of manufacturing materials for infusion sets with a view to minimizing the risk of infusion therapy and providing a safer and more efficient medical solution to users. Although infusion sets are common medical consumables, the use of advanced infusion sets has not penetrated into certain medically less-developed regions. In order to further expand the scope of application of advanced infusion sets and to contribute to the medical care industry in the PRC, the Group will put great efforts in expanding into relatively remote areas in the PRC, so that safe infusion concepts can take root in these regions and thus increase the acceptance of precision filter infusion sets among medical institutions. Meanwhile, the Group will continue to invest in R&D and strive for breakthrough at technological level. More new products will be launched with a view to providing the public with more comprehensive product portfolio for infusion therapy.

As for cannula products, despite the fact that China is a country with a large amount of consumers for disposable infusion therapy in the world, the use of intravenous cannula as a supporting service in China is far lower than developed countries. The use of cannula in intravenous infusion can reduce the number of venipuncture, ease the pain of patient and effectively protect medical staff from blood contamination caused by reasons other than injection. In the upcoming years, the use of disposable intravenous cannula will certainly become the development trend for intravenous injection in China, and the cannula market will experience growth at a higher speed. Leveraging the Group's unique technical advantages and under stringent quality supervision, we have diversified our disposable intravenous cannula product line during the year. Currently, we have obtained relevant registration certificates for two cannula products and we are now applying for another three registration certificates. The team of professional sales and clinical specialists of the Group's cannula business department possesses extensive experience and solid strengths. Our core salesmen have many years of sales experience in the medical field on average and all of our clinical specialists were senior front-line nursing staff from hospitals, who will also be our focus of staff development and cultivation in the future as we believe that a professional sales and clinical specialist team will certainly provide our customers with more professional services, and also significantly enhance the market competitiveness of our products in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

In the area of cosmetic products, our medical-cosmetic-graded facial mask brand "LE SEUL (諾頌)" succeeded in offering consumers with targeted skin repair products solution, and has been well-received in the marketplace. During the year, we have launched online marketing campaign for "LE SEUL (諾頌)" across multiple channels, and have commenced offline promotion of using medical skincare products, integrating professional skincare information into our product promotion. Looking forward, the Group will continue to uphold a prudent approach in developing more quality medical skincare products and further meet the needs of the public for basic and mid-to-high end skincare products, with a view to optimizing market layout and expanding our market share.

In order to allocate resources in a more effective manner and maximize corporate values, the Company entered into the Share Exchange Agreement with CBPO on October 12, 2017, pursuant to which, the Company agreed to subscribe for 16.66% of the enlarged issued share capital of CBPO in consideration of all the issued shares of Health Forward, which in turn owns 80% equity interest in Tianxinfu.

According to the statistics, the PRC is the second largest market for plasma products in the world. The PRC government has ceased issuing new plasma fractionation licenses since 2001, resulting in relatively high industry entry barriers. Following the Closing on January 1, 2018, we expect that CBPO would acquire larger market share and strengthen its overall business during the consolidation stage of the industry.

Emphasis on Innovation and R&D

As an industry leader in the development of innovative products, the Group has an experienced R&D team. The team cooperates closely with surgeons, hospitals (especially Class III Grade A hospitals), first class university research centers and other research institutions. As of December 31, 2017, the Group owned 59 patents for advanced infusion set products. Furthermore, the Group has applied for 9 new patents. The Group will continue to invest in product innovation and R&D to maintain its leading position in the industry.

Expansion of Distribution Network

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

Strategic Acquisitions

Driven by the favorable national policies and the growing demands for healthcare medical services, the medical device industry in China has entered into a rapid growing phase. According to the Annual Report on the Development of the Medical Device Industry in China (2017), it is anticipated that the annual total sales of medical devices in China would exceed RMB700 billion in 2020 and the growth rate of the industry would continue to maintain a yearly rate of 10% or above in the next 10 years. With a view to seizing market business opportunities, the Group will, in addition to its existing business segments, continue to identify opportunities for the fast-growing and high-margin business and extend its business to the novel new areas that are not fully developed, demonstrating its forward-looking perspective as an industry leader.

FINANCIAL REVIEW

Overview

	Year ended December 31, 2017 RMB'000	2016 RMB'000 (Restated)	Change
Continuing operations			
Revenue	**286,913**	319,583	–10.2%
Gross profit	**174,527**	210,306	–17.0%
Profit for the year from continuing operations	**33,777**	107,633	–68.6%
Discontinued operations			
Profit for the year from discontinued operations			
— Regenerative Medical Biomaterial Business*	**117,565**	132,524	–11.3%
Loss for the year from discontinued operations			
— Orthopedic Implant Business	**—**	(46,711)	Not applicable
Profit for the year	**151,342**	193,446	–21.8%
Profit attributable to owners of the Company	**122,084**	194,949	–37.4%

* On January 1, 2018, the Group completed transferring its entire interests in the Disposed Subsidiary, which was mainly engaged in the Regenerative Medical Biomaterial Business to CBPO. The operations of the Disposed Subsidiary is classified as discontinued operations in the Group's consolidated income statement for the year ended December 31, 2017. The operations of the Company and the other remaining subsidiaries, which are mainly engaged in the Infusion Set Business and other businesses, are presented in the Group's consolidated income statement as continuing operations. The consolidated income statement for the comparative period is also restated on the aforesaid basis.

REVENUE FROM CONTINUING OPERATIONS

The revenue of the Group from continuing operations decreased by 10.2% from approximately RMB319.6 million in 2016 to approximately RMB286.9 million in 2017, as a result of the decrease in sales of the Infusion Set Business in the continuing operations. The sales decrease in the Infusion Set Business was mainly due to governmental control on use of infusion sets and a stronger market competition.

GROSS PROFIT FROM CONTINUING OPERATIONS

The Group's gross profit from continuing operations decreased by 17.0% from approximately RMB210.3 million in 2016 to approximately RMB174.5 million in 2017. The gross profit margin of continuing operations decreased from 65.8% in 2016 to 60.8% in 2017, which was mainly due to the decrease in the proportion of direct sales of the Infusion Set Business and the inflation in labor costs.

SELLING EXPENSES OF CONTINUING OPERATIONS

Selling expenses of continuing operations increased by 31.4% from approximately RMB41.7 million in 2016 to approximately RMB54.8 million in 2017. This increase was mainly attributable to the expansion of distribution networks and production promotion.

ADMINISTRATIVE EXPENSES OF CONTINUING OPERATIONS

Administrative expenses of continuing operations increased by 55.9% from approximately RMB45.3 million in 2016 to approximately RMB70.6 million in 2017. The increase of approximately RMB21.0 million was the result of bad debt expense, and the rest increase of approximately RMB4.3 million was the result of the expanded business scope and scale of the continuing operations.

R&D EXPENSES OF CONTINUING OPERATIONS

R&D expenses of continuing operations increased by 12.0% from approximately RMB11.7 million in 2016 to approximately RMB13.1 million in 2017, mainly due to the increase in disposable intravenous cannula R&D activities in the Infusion Set Business during the year ended December 31, 2017.

FINANCE INCOME — NET, OF CONTINUING OPERATIONS

The Group had a net finance income of continuing operations of RMB0.4 million for the year ended December 31, 2017, decreased by approximately RMB3.8 million from RMB4.2 million in 2016. The decrease was mainly due to the net loss of foreign exchange incurred during the year.

INCOME TAX EXPENSES OF CONTINUING OPERATIONS

For the year ended December 31, 2017, income tax expenses of continuing operations amounted to approximately RMB11.3 million, decreased by approximately 44.1% as compared with approximately RMB20.2 million in 2016, which is due to the decrease in profit before income tax.

LOSS/PROFIT FROM DISCONTINUED OPERATIONS

A breakdown of the performance result of discontinued operations can be found in Note 29 to the consolidated financial statements for the year ended December 31, 2017. The gain for the year from discontinued operations amounted to RMB117.6 million, comprising the operating results of the Regenerative Medical Biomaterial Business and the non-recurring expenses of RMB5.8 million and taxes of RMB34.0 million relating to the share exchange transaction with CBPO and the relevant re-organisation.

PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS AND NET PROFIT

For the foregoing reasons, the profit from continuing operations of the Group in 2017 decreased by 68.6% from approximately RMB107.6 million in 2016 to RMB33.8 million in 2017.

After taking into account the gain from discontinued operations in 2017, the Group's consolidated net profit for the year ended December 31, 2017 amounted to approximately RMB151.3 million, representing a decrease of 21.8% compared to the consolidated net profit for the year ended December 31, 2016.

TRADE AND OTHER RECEIVABLES

The significant decrease of the trade and other receivables was mainly due to the collection of the consideration for the disposal of the Orthopedic Implant Business during the year ended December 31, 2017. The Group's trade receivables primarily comprised the outstanding payment from credit sales. As of December 31, 2017, the trade receivables including current and non-current portions of the Group was approximately RMB191.2 million, representing a decrease of approximately RMB22.1 million as compared to approximately RMB213.3 million trade receivables as of December 31, 2016.

INVENTORIES

Inventories decreased by approximately 14.8%, from approximately RMB53.7 million as of December 31, 2016 to approximately RMB45.8 million as of December 31, 2017. The decrease of inventories was mainly due to the decrease in finished goods and was in line with the decrease of the sales in the continuing operations.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment included buildings and facilities, machinery and equipment and construction in progress. As of December 31, 2017, the property, plant and equipment of the Group amounted to approximately RMB837.8 million, representing an increase of approximately RMB150.6 million as compared to approximately RMB687.2 million as of December 31, 2016. The increase was primarily due to the construction of facilities to expand production capacities of continuing operations in an amount of approximately RMB208.1 million for the year ended December 31, 2017.

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, 2017, the net value of the Group's intangible assets was approximately RMB187.8 million, representing a decrease of approximately RMB653.6 million as compared to RMB841.4 million as of December 31, 2016. The decrease was primarily due to the disposal of subsidiaries in an amount of approximately RMB627.6 million, and amortisation of approximately RMB25.9 million charged during the year ended December 31, 2017.

FINANCIAL RESOURCES AND LIQUIDITY

As of December 31, 2017, the Group's cash and bank balances amounted to approximately RMB364.3 million (2016: RMB149.6 million) and the Group had no term deposits (2016: Nil). As at December 31, 2017, the Group's bank borrowing balances was nil (2016: Nil).

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

CHARGES ON ASSETS

Save as those disclosed in Note 31 to the consolidated financial statements, during the year ended December 31, 2017, the Group did not enter into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. It did not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or R&D or other services with it.

COMMITMENTS

As of December 31, 2017, the Group had a total capital commitment of approximately RMB15.9 million (2016: RMB17.1 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

Save as those as disclosed in Note 31 to the consolidated financial statements, there was no material contingent liability as of December 31, 2017 (2016: Nil).

CAPITAL EXPENDITURE

During the year ended December 31, 2017, the Group incurred expenditure of RMB203.1 million on the construction in progress including facilities and production lines and expenditure of RMB5.0 million on the purchase of property, plant and equipment.

GEARING RATIO

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings divided by total capital. Since there was no borrowing as of December 31, 2017 and 2016, the gearing ratio was zero.

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 Hong Kong dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group did not hedge against any fluctuation in foreign currency during the year ended December 31, 2017. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

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

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.

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. In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparties' financial position and past history of making payments and take into account information specific to the counterparties as well as pertaining to the economic environment in which the counterparties operate. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. We grant credit limits to certain customers in consideration of their payment history and business performance. Prepayment is usually required for orders placed over credit limits. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of the year to ensure adequate impairment losses are made for irrecoverable amounts.

SIGNIFICANT INVESTMENTS

The Company and CBPO entered into the Share Exchange Agreement on October 12, 2017, pursuant to which the Company agreed to subscribe for the CBPO shares in consideration of the Disposal Business in the form of the entire issued share capital of Health Forward, which in turn owns 80% equity interest in Tianxinfu, at a total value of approximately US$513.45 million (equivalent to approximately RMB3.38 billion) with a subscription price of US$93.0 (equivalent to approximately RMB611.9) per CBPO share. The Closing took place on January 1, 2018, whereupon the Company became the single largest shareholder of CBPO, with the CBPO shares held by the Company representing approximately 16.66% of the enlarged issued share capital of CBPO.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as the Company's subscription for the CBPO shares in consideration of the Disposal Business as disclosed in the subsection headed "— Significant Investments" of this annual report, the Group had no other material acquisitions or disposals of subsidiaries or associated companies of the Company during the year ended December 31, 2017. The operations of the Disposed Subsidiary is classified as discontinued operations in the Group's consolidated income statement. Details of the financial impact of the disposal of the Regenerative Medical Biomaterial Business is set out in Note 29 to the consolidated financial statements.

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, 2017, the Company has applied the principles and complied with the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

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

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

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

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

A2. Board Composition

The composition of the Board during the year ended December 31, 2017 and up to the date of this report is as follows:

Executive Directors:

Ms. Yue'e ZHANG	*(Chairman of the Board and Chairman of the Nomination Committee)*
Mr. JIANG Liwei	*(CEO)*

Non-executive Director:

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

Independent non-executive Directors:

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)*
Mr. WANG Xiaogang	*(Chairman of the Audit Committee and Member of the Nomination Committee)*

Throughout the year ended December 31, 2017, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with one of them, being Mr. WANG Xiaogang, possessing appropriate professional qualifications and accounting and related financial management expertise.

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

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

A3. Chairman and Chief Executive

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

A4. Appointment and Re-election of Directors

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

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

At the forthcoming 2018 AGM, Mr. CHEN Geng and Mr. WANG Xiaogang 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 2018 AGM. The Board and the Nomination Committee recommended their re-appointment. 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, 2017, 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. ZHANG Xingdong	✓	✓
Mr. CHEN Geng	✓	✓
Mr. WANG Xiaogang	✓	✓

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, 2017 are set out below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Executive Directors:					
Ms. Yue'e ZHANG	6/6	N/A	N/A	1/1	3/3
Mr. JIANG Liwei	6/6	N/A	N/A	N/A	3/3
Non-executive Director:					
Mr. LIN Junshan	6/6	3/3	1/1	N/A	3/3
Independent non-executive Directors:					
Mr. ZHANG Xingdong	6/6	N/A	1/1	1/1	3/3
Mr. CHEN Geng	6/6	3/3	1/1	N/A	3/3
Mr. WANG Xiaogang	6/6	3/3	N/A	1/1	3/3

In addition, the chairman of the Board held a meeting with the non-executive Directors (including the independent non-executive Directors) without the presence of executive Directors during the year ended December 31, 2017.

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, 2017. 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, 2017.

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, 2017, 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, 2017, 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, 2017 is set out below:

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

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, 2017 are set out in Note 26 to the financial statements contained in this annual report.

B2. Nomination Committee

The Nomination Committee comprises a total of three members, being one executive Director, namely Ms. Yue'e ZHANG (chairman of the Committee), and two independent non-executive Directors, namely Mr. ZHANG Xingdong and Mr. WANG Xiaogang. Throughout the year ended December 31, 2017, 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 the code provision A.5.6 of the CG Code, a Board diversity policy was adopted by the Company on December 12, 2013, 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.

During the year ended December 31, 2017, 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 2, 2017; 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, 2017. 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, 2017, 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, 2016, 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, 2016 and the existing internal audit function of the Company; and recommendation of the re-appointment of the external auditor;

— Review and discussion of the interim financial statements, results announcement and report for the six months ended June 30, 2017 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, 2017; 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 auditor has attended the above three 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, 2017.

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

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

D. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assess the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2017.

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, 2017, the Board, as supported by the Audit Committee as well as the report from the management and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

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

E. COMPANY SECRETARY

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

Ms. SO and Tricor are responsible for providing advice to the Board on corporate governance matters. Ms. SO has confirmed that she has taken no less than 15 hours of relevant professional training during the year ended December 31, 2017.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company, PricewaterhouseCoopers, about their reporting responsibilities on the Company's financial statements for the year ended December 31, 2017 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to PricewaterhouseCoopers in respect of audit services and non-audit services for the year ended December 31, 2017 are analyzed below:

Type of services provided by the external auditor	**Fees paid/ payable** (RMB'000)
Audit services	2,280
Non-audit services (private letter on the working capital sufficiency statement)	200
TOTAL:	2,480

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:	1002–1003, Block C, Focus Square No. 6 Futong East Avenue Wangjing, Chaoyang District Beijing, the PRC (Attention: the Board of Directors)
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 THE REPORT

This report is the second environmental, social and governance report issued by PW Medtech. By reporting the policies, measures and performance of the Group in terms of environment, society and governance, this report aims to make each stakeholder know more about the progress and development direction of the Group's sustainable development subject.

This report is prepared in Chinese and English and has been uploaded to the Stock Exchange and the Company's website (www.pwmedtech.com).

Scope of Report

This report focuses on the operation of the Regenerative Medical Biomaterials Business and Advanced Infusion Sets Business of PW Medtech from January 2017 to December 2017. The scope of this report covers the Group's two factories in Beijing, which are respectively operated by Tianxinfu (Beijing) Medical Appliance Co., Ltd. and Beijing Fert Technology Co., Ltd. ("Tianxinfu Plant" and "Fert Plant", respectively and together the "Plants").

Reporting Standards

This report is prepared in accordance with the regulation of "comply or explain" in the *Guidelines for Environmental, Social and Governance Report* (the "Guidelines") issued by the Stock Exchange, and takes the four reporting principles listed herein, namely materiality, quantification, balance and consistency, as the foundation for preparation of the report. For the Company's practical situations, this report adopts some key performance indexes of "Suggestion Disclosure" in the Guide, making this report's contents more complete. The Group has entrusted external consultant Carbon Care Asia Limited to carry out carbon evaluation according to the guide issued by the National Development and Reform Commission of the PRC, in order to ensure the accuracy of environmental key performance index data.

Information Collection

All information referred to in this report are derived from the official documents and statistics of the Group, and also the management and operation information collected according to the policies of the Group.

Feedbacks

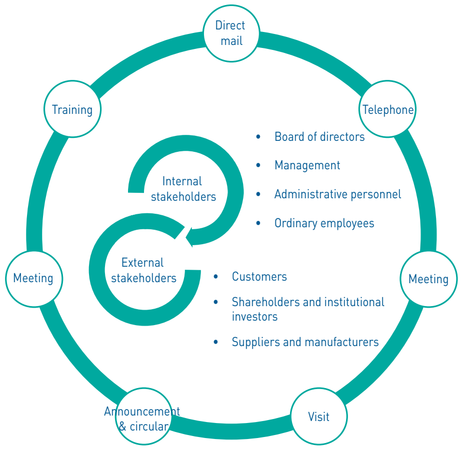
PW Medtech pays much attention to the opinions of stakeholders. If you have any doubt about or suggestion on the contents of the report or the reporting form, you are welcomed to contact the Group by the following means:

Address: 1002–1003, Block C, Focus Square, No. 6 Futong East Avenue, Wangjing, Chaoyang District, Beijing, PRC
E-mail: ir@pwmedtech.com
Tel: +86 10 84783617
Fax: +86 10 84783657

COMMUNICATION WITH THE STAKEHOLDERS

Methods of Communication with Major Stakeholders in 2017

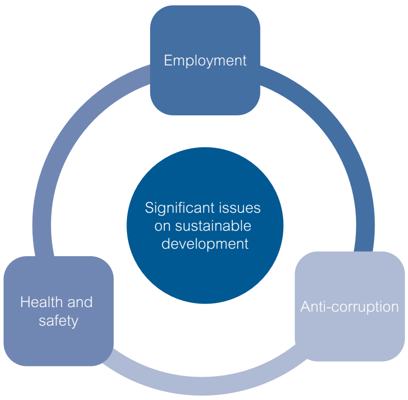
In the business management of the Company, the participation of stakeholders[1] is an important part, and is helpful for the Group to survey potential risks and business opportunities. Communicating with stakeholders and making clear their opinions could make the Group's business rules closer to their demand and expectation, and properly manage the opinions of different stakeholders. The Group often communicates with key stakeholders inside and outside the Group through different channels. This ensures that the stakeholders have opportunities to know about the Group's development and operation guidelines, and also, this provides opportunities for the Group to listen to their opinions, in order to recognize the priority sequence of different issues and develop corresponding policies.



Significant Issues on Sustainable Development in the Reporting Period

In order to establish the Group's sustainable development strategy and direction, and recognize the environmental and social issues which are crucial for the Group and stakeholders, the Group has entrusted an independent consulting company to take charge of the interviews with the management of the Company. In combination with the interview results and consulting opinions, the Group has selected three items "employment, health and safety, and anti-corruption" from the eleven environmental and social scopes of the Guide as the issues mainly to discuss in this reporting.

In order to ensure the effect of communication with stakeholders, the Group hammers at establishing transparent, faithful and accurate communication, and provides replies at proper time. In the future, the Group will strengthen the interaction with stakeholders, develop diversified channels, increase the opportunities for contact with them, and create a mutually-benefited and win-win relationship.



1 Stakeholders, also referred to as stake holders or equity holders, indicate the groups and individuals having great influences on or being affected by the Group's businesses, including internal board of directors, Management, administrative personnel, ordinary employees, and external customers, shareholders and institutional investors, suppliers/manufacturer, etc.

VISION OF SUSTAINABLE DEVELOPMENT

As a leading provider of medical appliances in China, the Company aims to lead the industry to jointly promote sustainable development.

The support of stakeholders is indispensable to realizing this objective, and the Group has set up a designated department to answer the external stakeholders' questions on environment, society and governance, and strengthened the transparency of information disclosure. Apart from listening to stakeholders' opinions carefully, the Board also reviews environmental, social and governance measures regularly every year, and instruct each subsidiary to improve its risk management.

The health and safety of consumers and employees are similarly important for the Company. Apart from setting strict standards, the Group's management team emphasizes that every employee shall be responsible for safe production and quality control, and shall give priority to preventive measures, and create a healthy and safe work environment and high-quality products.

The Company firmly believes that, a brand could be cast only with good faith. Sticking to the guidelines of being just and honest, the Group encourages employee and business partners to supervise each other, in order to effectively enhance operational benefit, and even ensure business contact to meet the principle of sustainable development. The Group normalizes employees' behavior with disciplines and regulations internally, and makes commitments jointly with business partners externally.

In the future, the Group will continue to hold an open attitude towards the opinions of stakeholders in each circle, and absorb experiences from therein; and also, the Group will be engaged in exploitation and innovation, promote environmental and social performance, and lead the sustainable development of the industry.

ENVIRONMENTAL PROTECTION

The main products produced by Tianxinfu Plant and Fert Plant are respectively regenerative medical biomaterials and advanced infusion sets. Aiming at different production processes involved in the two products, the Group implements various management and control measures for the waste gases, waste materials and waste water arising from the production.

Air Pollutants

The air emission arising from production activities of the Company is mainly the welding smoke generated from the welding process of artificial joint components in the polishing workshop of Tianxinfu Plant. The main components of welding smoke are nickel, tin and their compounds, and other particles. During this year, Tianxinfu Plant has set up dust removal system in the polishing workshop by stages. This system conveys dust via wind pipe to dust remover, filters, collects and treats dust via filter bag, and replaces previously adopted wheel sand belt grinder vacuum cover. Meanwhile, the Tianxinfu Plant has established the management system of dust remover, prepared maintenance plan according to equipment specifications, recorded the actual frequency of dust reduction and removal of the dust remover, and maintained the dust removal efficiency of the equipment. During this year, the dust discharge of Tianxifu Plant meets the control index of the Integrated Emission Standard of Air Pollutants.

Green-House Gas (GHS) Emission and Energy Use

GHS emission is closely related to climatic change and global warming, and the enterprises of each country have successively established carbon reduction measures and objectives. During this year, the Group entrusted the consultant company Carbon Care Asia Limited to take charge of carbon appraisal, in order to quantify the GHS emission (or "Carbon Emission") generated from its operation. The quantification was carried out by referring to the guide[2] issued by the National Development and Reform Commission of China, as well as ISO14064-1 and Greenhouse Gas Protocol, and other international standards.

The appraisal results show that, the Carbon Emission of the Plants was mainly sourced from purchased electric power, which accounted for 95% of the total Carbon Emission. In order to further promote employees to save resources and reduce wastage, the Group's Tianxinfu Plant took the period from July to September of this year as "Month of Propaganda on Saving of Water and Electricity". The Group issued a series of notifications to remind employees to reduce energy consumption by starting with changing personal habits, adjusting equipment configuration, and strengthening the supervision on the power-on and power-off of equipment.

The appraisal process made the Group know more about the use of its resources. The Group will continue to appraise, record and disclose its GHG emission and other environmental data, and compare the data of this year as benchmark with previous data, so as to review the effects of the existing measures, to boost the further establishment of emission reduction objectives in the future.

Wastes Management and Materials Use

The Group pays close attention to the management on wastes in each production section. For example, the two plants have set up the regulations on the management of wastes, to analyze the source and nature of wastes according to the production process of products. Each department needs to classify and place hazardous wastes, recyclable wastes and domestic garbage in specified collection containers and storage sites as required, and responsible department will then arrange follow-up treatment. The Group minimizes the usage of toxic chemicals. According to the Safe Management and Control Procedures of Chemicals adopted by Tianxinfu Plant, the relevant departments are required to optimize the types of chemicals as far as possible and raise priority programme in order to minimize the types of chemicals according to results of experiments.

Type	Name of wastes	Treatment method
Hazardous wastes	Waste emulsion Waste alkaline solution Waste engine oil and waste vacuum pump oil	Collected by qualified processor of hazardous wastes
Recyclable solid wastes	Titanium alloy, cobalt chromium-molybdenum, stainless steel, polyethylene, etc.	Collected by qualified recycler
Domestic garbage	Kitchen waste, food packaging, sanitary articles, etc.	Processed by local governmental environmental sanitation department

2 Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions by Enterprises in Other Business Lines of Industry (on Trial)

Water Use and Sewage Drainage

All water used by the Plants is sourced from municipal power supply. The Group's water consumption and sewage drainage are mostly sourced from employees' domestic use. The Group saves water to the greatest extent by changing water-saving equipment and continuously promoting water-saving habit to employees in the form of internal notification. The domestic sewage in plant areas and all offices is drained via municipal pipeline network to sewage treatment plant.

Environmental and Natural Resources

In the operation of the Group, what most critical is the influence on environmental and natural resources of various chemicals used by the Plants, such as ethylene oxide, alcohol, cyclohexanone and diluents used for production, as well as concentrated hydrochloric acid, concentrated nitric acid, concentrated sulfuric acid and mercuric iodide used for experiment, etc. The Plants have both made emergency preplans aiming at environmental leakage, made the Regulations for the Management of Hazardous Chemicals and the Emergency Preplan for Accidents Other than Hazardous Wastes, providing relevant guides for employees to distinguish the potential risks existing in the sections like production, transportation and storage, etc. of hazardous wastes, and adopt proper marking and protection measures; and start control, processing and investigation procedures when leakage occurs in order to preventive secondary accidents like fire disaster, water body and soil pollution, etc.

In this year, the Group did not find any pollutant leakage, or violations related to emissions and environment.

EMPLOYMENT AND LABOR PRACTICES

Employment System

The Company hammers at creating a delightful and high-efficiency working environment, and making employees sufficiently understood, respected and recognized. By means of Staff Manuals, Employment Contract Clauses, etc., the Group communicates with employees on the management systems and employment arrangements concerning recruitment, work attendance check, vacation, remuneration calculation, rest time, employee transfer, etc.

Apart from basic salaries, the Plants consider employees' personal work performance in the salary system for employees. For example, Tianxinfu Plant formally passed the Plan for Remuneration Adjustment 2017 this year, which directly linked employees' performance assessment level with remuneration adjustment degree, aiming to enhance the competitiveness and justice of the remuneration system and reward employees giving outstanding performance.

In order to strengthen team cohesiveness, the Plants held various employee activities irregularly to make employees of each department know each other and raise their tacit understanding.

Fert Technology	Tianxinfu
• Fert held the first "Body-Building Long-Distance Walk Sports Meeting" this May.	• Tianxinfu solemnly held the New Year Party 2017 at Huangchao Hotel this January. • Tianxinfu organized the whole staff to develop the team building and development activity titled as "Close Team, Flying Dream" at Beijing Fangshan Shidu.

The Group hammers at providing equal development opportunities. The Group has been aware that, equal employment mechanism and diversified talent compositions could bring about benefits for business development and corporate culture construction. At present, the Group has started to supervise diversified indexes related to employment, such as balancing the proportion of male and female employees, and raising the proportion of employees of minority groups. In the future, the Group will consider adding more concrete guide to the existing employment policy, describing the Group's management guidelines for equal opportunities, diversification and anti-discrimination.

	Proportion of male and female employees	Proportion of employees of minority groups
Fert Plant	1:1.5	1%
Tianxinfu Plant	1:1.04	5%

During this year, the Group did not find any violations of employment laws.

Health and Safety

Sticking to the prevention-focused management guideline, the Plants have established internal safety management system, making clear the safety responsibilities of each department and personnel at all levels.

Apart from making safety management regulations on labor guarantee, chemical management, fire prevention and control, etc., providing enhanced training in occupational health and safety is also an important measure for raising employees' awareness of safety. For example, Tianxinfu Plant opened eight training courses aiming at safe production, occupational health, special operation, emergency rescue, etc. in its safety production training plan of this year. The Group pays attention to the patrol inspection and monitoring of safety. The Plants have checked on production safety regularly, and organized each department to implement the rectification of hidden troubles. The Responsibility System for Production Safety established by Tianxinfu and safety principals of various levels just contains the requirements for checking goods source, fire hazard and firefighting equipment, investigating, eliminating and managing hidden potential of fire hazard, etc. regularly.

During this year, the Group did not find any violation related to health and safety, while seven work-related injuries occurred in the Plants, including six work-related injuries occurring in Fert Plant and one in Tianxinfu Plant. According to the investigation and record of Fert Plant, the six accidents were mainly resulting from employees failing to perform duties according to operating procedures and they suffered from finger bruise; the employee of Tianxinfu was injured for encountering traffic accident on the way to work. Later, department principals and human resources department of the Company strengthened education on the injured employees as well as other employees in their departments and new employees, for example, strengthening relevant training on operating procedures, enhancing their awareness of safety and self-protection, etc. The injured employees received proper medical treatment, and their medical fee and lost wages, etc. were afforded by the Plants and social insurance.

Development and Training

Based on local laws and training demand, the Company planned employees' development road and continuously optimized training system and through carrying out training investigation, making annual plan, making standard courses, etc. Tianxinfu Plant and Fert Plant provided diversified training for new and on-job employees, covering the Company's rules and regulations, production operation process and production safety, etc.

Objects and Topics of Training Activities This Year

Production, logistics and technical departments	Quality management department	All employees and new employees	Middle-level management personnel
Product knowledge Process operation Batch number and identification management Product protection Inventory management Finished product warehouse management	Knowledge on raw materials Special process and key working procedures Awareness of quality Process quality inspection Finished product testing Quality management system Knowledge on microorganisms Cytotoxicity test Design and sustained improvement of mould Use and maintenance of automatic equipment	Product knowledge Enterprise system Employees' etiquette Induction training for new employees Emergency preplan	Special training on practical management of middle-level backbones

Labor Guidelines

The Group strictly observes the regulations of labor law, and forbids child labor and compulsory labor. During recruitment process, the human department of the Company will investigate applicants' work and educational background, etc. including checking the authenticity of qualifications, certificates and educational background. The Group has also made remedial actions for use of child labor negligently. If an employee is discovered below the required statutory age, the relevant departments will stop his/her work immediately, and the human department of the Company will contact his/her guardian, and send him/her home. Based on ensuring negotiation-based consensus, equality and voluntariness, the Group will sign an employment contract with all employees, and make clear the employment clauses; the provisions on the execution, alteration, renewal and rescission, etc. of the contract are all listed in the staff manuals and the employment contracts.

In the reporting period, the Group did not identify any non-compliance cases involving child labor or compulsory labor.

OPERATION MANAGEMENT

Anti-corruption

"A brand could be cast only with good faith" is the Group's corporate culture concept.

In order to prevent commercial bribery and unfair competition, Tianxinfu Plant and Fert Plant signed integrity cooperation agreements and the letter of commitments on integrity cooperation with their partners, including suppliers, promising to abide by national laws and regulations during their business dealings, and not to obtain benefit by improper means such as corruption and bribery, etc. Tianxinfu Plant defined corruption in greater detail. Accepting benefits from partners and their relatives, members of bid evaluation committee and bidding agency, etc. falls into the scope of incorruptible behaviors, no matter whether the form is gift, feast, commission, valuable securities or entertainment activity. Fert Plant even signed the Letter of Commitment on Integrity and Self-discipline with employees, and issued the disciplinary regulations on forbidding employees to accept gifts (in cash or in kind), in order to enhance employees' recognition with integrity and self-discipline, and normalize employees' behaviors in work.

If any partners are discovered to give bribes, the employees of the Plants shall report to the Group in time. In order to further guarantee suppliers and employees to exercise the right of reporting according to law, Tianxinfu made the Policy for Protection of Whistleblowers this year. Whistleblowers may report violations to the Manpower Administration Department in the form of interview, letter, telephone or other forms. Relevant departments shall make truthful record, conduct investigation and take measures to maintain confidentiality according to the procedures prescribed in the policy, and notify the whistleblowers of the investigation and treatment results within two months. This year, the Group did not receive any internal report on corruption, and did not identify any non-compliance cases concerning corruption.

Supply Chain Management

The Group's supply chain mainly includes the suppliers of packaging materials, plastic-rubber particles, film products, steel needles, etc. In terms of supplier appraisal and selection, Tianxinfu Plant and Fert Plant have respectively made the Supplier Management Procedures and the Regulations on the Management of Supplier Audit. By means of document review, on-site survey, spot check, etc., the Plants survey suppliers' production capacity, technical level, environmental conditions and quality guarantee system, etc., so as to appraise and identify qualified suppliers, and select partnering suppliers.

The procurement and quality inspection departments of the two Plants continuously appraised and analyzed the supply quality of cooperative suppliers, for example, they supervised suppliers' production, regularly or irregularly, by telephone, visit, and on-site survey, and if necessary, sent notification of rectification. The two Plants also carried out annual review on qualified suppliers, and removed those suppliers with non-satisfactory performance from the shortlist of qualified suppliers according to the results of annual review.

Product Responsibility

For manufacturers of medical products, the quality management of production directly affects the health and safety of product users. Therefore, the two Plants have made control procedures and standards for different production processes. For example, Fert Plant has established the Production Process Control Procedures, and employees need to control various factors affecting product quality according to the procedures, including the requirements on purchased materials, production environment, use of water and gas, and special processes, etc. Tianxinfu Plant has also made the Production Process Control Procedures of Orthopedic Products, the Production Process Control Procedures of Biological Products, and the Sterile Operation Procedures of Biological Film Products, illustrating the inspection standards and processes, as well as the procedures for the investigation and treatment of defective products.

The Group's product responsibility also includes after-sales management. The Group hammers at providing high-quality products and services for customers. Both Fert Plant and Tianxinfu Plant have established monitoring system, collected and analyzed customers' feedback, in order to provide early warning against product quality problems to quality supervision department, and take corrective and preventive measures. The two Plants have made the Management Procedures for the Recall of Products aiming at defective products already sold or delivered, guiding employees to classify, re-label and store the defective products, and preventing them from being mixed with and polluting normal products; and also, the Plants inspect and analyze the causes for defective products, and determine the final treatment methods.

The Advertising Management Procedures of Tianxinfu regulates that the Legal Department shall take charge of advertising review, in order to ensure the authenticity and legality of advertising contents. The Group has made the Management System for Protection of Intellectual Property Rights and signed the Confidentiality Agreement with employees, aiming to define the confidentiality obligations that employees need to observe for customers and partners, and protect the intellectual property rights of the Group's products. Fert Plant has also required in the Letter of Commitment on Faithful Cooperation signed with suppliers that, the suppliers shall ensure that the products and services provided by them are not involved in infringement or disputes related to intellectual property rights.

This year, the Group did not see the recovery of any products or customer complaint, and did not identify any non-compliance concerning product responsibility.

Community Investment

The Company's two factories have set up different community investment systems, and implement the spirit of caring community by different means.

The three major attention points of the Community Investment Policy established by Fert Plant this year are respectively climatic change and environment, community health, and adolescent education and development. Fert Plant will enhance the public's awareness of environmental protection and attention to nursing knowledge by supporting relevant research proposal, medical lecture, public promotion and school education, aiming to realize the following objectives:

- Raising the attention of all sectors of society, and making joint efforts to relieve climatic change;
- Enhancing the understanding of community on safe infusion and so making informed choice;
- Promoting the development of training in nursing industry and cultivating future leaders.

Tianxinfu Plant has formulated the Management System for External Donation of the Company in accordance with the Welfare Donations Law of the People's Republic of China, and established the principles for external donation, including the donation model, object and type, and set up normative and review on donation procedures and financial management. This year, Tianxinfu Plant plans to make donation to Beijing Changping Red Cross Society, and has organized employees to visit the nursing house at Liu Village in Changping District, as a voluntary activity.

OVERVIEW OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

Environmental Performance

Waste gases	Type	Emission of this year (Kg)
	Nitrogen oxides	1.21
	Sulfur oxides	0.28
	Particles	2.74

Scope	Emission source	Emission of this year (carbon dioxide equivalent in ton)
Scope 1: Direct GHG emission	Fossil fuel combustion-moving source-gasoline	8.5
	GHG gases released during operation of equipment and systems	155.2
Scope 2: Indirect GHG emission of energy	Purchased electric power	5,518.4
	Purchased heating power	114.4
Scope 3: Other indirect GHG emission	Business trip by air plane	3.1
Total GHG emissions		5,799.6
GHG density (carbon dioxide equivalent in metric ton/m^2 area)		0.20

Energy use	Type		Energy consumption of this year (Megawatt hours)
	Direct energy	Gasoline	35
	Indirect energy	Electric power	6,240
		Heating power	289
	Total energy consumption		6,564
	Energy density (calculated by area, namely Megawatt hours/m^2)		0.22

Harmful wastes	Type	Output (ton)
	Total	5.4
	Density of harmful wastes of Tianxinfu (Metric ton/number of employees)	0.03

Harmless wastes	Type	Output (ton)
	Total	108
	Density of harmful wastes (Metric ton/number of employees)	0.16

Social Performance

Number of employees	Company	Age	Male	Female	Disaggregated by company
	Fert Plant	Below 30	97	138	510
		31–40	72	97	
		41–50	20	60	
		Above 50	13	13	
		Disaggregated by gender	202	308	
	Tianxinfu Plant	Below 30	18	17	179
		31–40	48	55	
		41–50	16	13	
		Above 50	6	6	
		Disaggregated by gender	88	91	
		Total number of employees			689

Drain rate of employees		Number of drained employees	Proportion to total employees of this type
	Disaggregated by company		
	Fert Plant	146	29%
	Tianxinfu Plant	14	8%
	Disaggregated by age		
	Below 30	84	31%
	31–40	57	21%
	41–50	18	17%
	Above 50	1	3%
	Disaggregated by gender		
	Male	61	21%
	Female	99	25%
	Total number of drained employees, and proportion to total employees	160	23%

Proportion of new employees		Number of new employees	Proportion to total employees of this type
	Disaggregated by company		
	Fert Plant	155	30%
	Tianxinfu Plant	13	7%
	Disaggregated by age		
	Below 30	116	43%
	31–40	49	18%
	41–50	3	3%
	Above 51	0	0%
	Disaggregated by gender		
	Male	64	22%
	Female	104	26%
	Total number of new employees, and proportion to total employees	168	24%

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, 2017.

PRINCIPAL ACTIVITIES

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

The activities and particulars of the Company's subsidiaries are shown under Note 11 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year ended December 31, 2017 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, 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, 2017 are set out on pages 64 to 71 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2017 2016: Nil.

CLOSURE OF THE REGISTER OF MEMBERS FOR 2018 AGM

For determining the entitlement to attend and vote at the 2018 AGM to be held on June 5, 2018, the register of members of the Company will be closed from May 31, 2018 to June 5, 2018, 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 2018 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on May 30, 2018.

DIRECTORS' REPORT

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 5 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, 2017 are set out in Note 7 to the consolidated financial statements on page 103 of this annual report.

SHARE CAPITAL

The Company issued new ordinary Shares during the year ended December 31, 2017 upon exercise of share options by a Director and an employee of the Group. The reason for the issue of new ordinary Shares is set out in the section headed "Pre-IPO Share Option Scheme". Details of the movements in share capital of the Company during the year are set out in Note 17 to the consolidated financial statements on page 117 of this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2017, 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 20 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, 2017 are set out in Note 18 to the consolidated financial statements on page 118 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2017, the Company's distributable reserves were RMB1,429.3 million.

BORROWINGS

As at December 31, 2017, the Company had no borrowings 2016: Nil.

DONATIONS

During the year ended December 31, 2017, the Group did not make any charitable donations (2016: Nil).

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

During the year ended December 31, 2017, the Company repurchased on the Stock Exchange a total of 18,956,000 Shares at a total consideration of approximately HK$34,859,670. Such Shares were cancelled on March 8, 2017 and August 23, 2017, respectively, during the year. Details of the Share repurchases are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share Highest	Lowest	Aggregate consideration
		HK$	HK$	HK$
February, 2017	5,148,000	2.06	1.70	10,008,920
July, 2017	13,808,000	1.83	1.72	24,850,750

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2017. The purchase of the Shares was made for the benefit of the Shareholders with a view to enhancing the net asset value per Share and EPS.

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.

USE OF NET PROCEEDS FROM THE IPO

The net proceeds from the IPO amounted to HK$1,348.7 million (equivalent to approximately RMB1,059.8 million) after deducting share issuance costs and listing expenses. As at December 31, 2017, the proceeds raised by the Company from the IPO have not been fully utilized. During the year ended December 31, 2017, such net proceeds were applied in accordance with the proposed applications as set out in the section headed "Future Plan and Use of Proceeds" in the Prospectus. In 2018, the Company will use the proceeds raised from the IPO in accordance with its development strategies, market conditions and intended use of such proceeds.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended December 31, 2017 and up to the date of this report are as follows:

Executive Directors
Ms. Yue'e ZHANG *(Chairman)*
Mr. JIANG Liwei *(CEO)*

Non-executive Director
Mr. LIN Junshan

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

In accordance with Article 108 of the Articles, Mr. CHEN Geng and Mr. WANG Xiaogang will retire as Directors at the 2018 AGM. The above retiring Directors, being eligible, will offer themselves for re-election at the 2018 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 10 to 12 in the section headed "Profile of Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

CONTRACT WITH DIRECTORS AND CONTROLLING SHAREHOLDER

No contract of significance has been entered into among the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries during the year ended December 31, 2017.

DIRECTOR'S INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

No transaction, arrangement or contract of significance in relation to the business of the Group 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, 2017.

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, retirement benefit scheme contribution) paid to the Directors in aggregate for the year ended December 31, 2017 was approximately RMB3.5 million.

The remuneration (including salaries and other benefits, retirement benefit scheme contribution) paid to the Group's five highest paid individuals in aggregate for the year ended December 31, 2017 was approximately RMB6.3 million.

For the year ended December 31, 2017, 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, 2017.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 38 and 26 to the consolidated financial statements on pages 141 and 126 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 20 to the consolidated financial statements on pages 119 to 120 of this annual report.

Save as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2017, 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 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, 2017. The independent non-executive Directors have conducted such review for the year ended December 31, 2017 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 2.20 to the financial statements.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout the year ended December 31, 2017.

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, 2017.

LOAN AND GUARANTEE

During the year ended December 31, 2017, the Group had not made any loan or provided any guarantee for any loan, directly or indirectly, to the Directors, senior management, its ultimate controlling Shareholder or their respective connected persons.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

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

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

On July 6, 2013, options (exercisable for 10 years subject to vesting schedule as set out in the grant letter) to subscribe for an aggregate of 70,891,722 Shares were conditionally granted by the Company under the Pre-IPO Share Option Scheme to a total of 31 grantees, including one executive Director, two non-executive Directors, two independent non-executive Directors, five members of the senior management (excluding Directors) of the Group, one director of a subsidiary of the Company and 20 other employees of the Group. Such options were granted based on the performance of the grantees that have made important contributions or are important to the long term growth and profitability of the Group. Apart from the above share options, no options were granted under the Pre-IPO Share Option Scheme. In addition, no further options can be granted under the Pre-IPO Share Option Scheme on or after the Listing Date. The total number of Shares currently available for issue under the Pre-IPO Share Option Scheme is 732,719 Shares, representing approximately 0.05% of the issued share capital of the Company as at the date of this annual report.

Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the year ended December 31, 2017 are set out below:

	Number of options					
Name or category of option holders	**Outstanding as at January 1, 2017**	**Granted during the year**	**Exercised during the year (Note 1)**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at December 31, 2017**
Directors of the Company						
Mr. JIANG Liwei	3,184,713	—	1,592,357	—	1,592,356	—
Mr. LIN Junshan	3,184,713	—	—	—	3,184,713	—
Mr. CHEN Geng	636,942	—	—	—	318,471	318,471
Mr. WANG Xiaogang	636,942	—	—	—	318,471	318,471
Senior management and other employees of the Group						
In aggregate	10,573,476	—	557,325	—	9,920,374	95,777
Total	18,216,786	—	2,149,682	—	15,334,385	732,719

Notes:

(1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$1.72 per Share.

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

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

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

The Pre-IPO Share Option Scheme does not fall within the ambit of, and are not subject to, the regulations under Chapter 17 of the Listing Rules. Details of the impact of options granted under the Pre-IPO Share Option Scheme on the financial statements since the date of grant and the subsequent financial periods are set out under Note 20 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, 2017, 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	318,472	0.02%

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

Name of Director	Capacity	Number of underlying Shares in respect of the share options granted	Approximate percentage+ of underlying Shares over the Company's issued share capital
Mr. CHEN Geng	Beneficial owner	318,471	0.02%
Mr. WANG Xiaogang	Beneficial owner	318,471	0.02%

Note: Details of the above share options granted by the Company are set out in the section headed "Pre-IPO 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, 2017.

Save as disclosed above and in the section headed "Pre-IPO Share Option Scheme" and to the best knowledge of the Directors, as at December 31, 2017, 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, 2017, the following corporations/persons had interests of 5% or more in the issued Shares according to the register of interests required to be kept by the Company under section 336 of the SFO:

Long position in ordinary Shares

Name	Note	Capacity	Number of ordinary Shares interested	Approximate percentage+ of the Company's issued share capital
Cross Mark Limited		Beneficial owner	547,061,863	34.88%
Ms. Yufeng LIU	(1)	Interest of a controlled corporation	547,061,863	34.88%
Mr. ZHANG Zaixian	(2)	Interest of spouse	547,061,863	34.88%
Right Faith Holdings Limited		Beneficial owner	393,385,962	25.08%
Mr. Marc CHAN	(3)	Interest of controlled corporations	408,385,962	26.03%

Notes:

(1) The entire issued share capital of Cross Mark Limited is legally and beneficially owned by Ms. Yufeng LIU. Under the SFO, Ms. Yufeng LIU is deemed to be interested in the same number of Shares in which Cross Mark Limited is interested.

(2) Mr. ZHANG Zaixian is the spouse of Ms. Yufeng LIU. Under the SFO, Mr. ZHANG Zaixian is deemed to be interested in the same number of Shares in which Ms. Yufeng LIU is interested.

(3) The entire issued share capital of Right Faith Holdings Limited is legally and beneficially owned by Mr. Marc CHAN. In addition, Amplewood Resources Limited, a company wholly owned by Mr. Marc CHAN, held 15,000,000 Shares. Under the SFO, Mr. Marc CHAN is deemed to be interested in the same number of Shares in which Right Faith Holdings Limited and Amplewood Resources Limited are interested.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at December 31, 2017.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2017, 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 customers accounted for approximately 10.0% of the Group's total revenue from continuing operations. The Group's five largest customers accounted for approximately 32.0% of the Group's total revenue from continuing operations.

In the year under review, the Group's largest suppliers accounted for approximately 4.3% of the Group's total cost of sales from continuing operations. The Group's five largest suppliers accounted for approximately 16.7% 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 the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

EMPLOYEES

The Group had approximately 1,322 employees as at December 31, 2017, as compared to 1,383 employees as at December 31, 2016. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

RETIREMENT BENEFITS SCHEME

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

CONTINUING CONNECTED TRANSACTION

During the year ended December 31, 2017, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

Save as disclosed under the section headed "Related Party Transactions" stated in Note 33 to the consolidated financial statements, no contract of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the year ended December 31, 2017.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2017 are set out in Note 33 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

PricewaterhouseCoopers has been appointed as the auditor of the Company since the Listing Date and will retire at the 2018 AGM and is eligible for re-appointment.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2017, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board
Yue'e ZHANG
Chairman

Hong Kong, March 28, 2018

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of PW Medtech Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 141, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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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.

Key audit matters identified in our audit are summarised as follows:

- Goodwill impairment assessment
- Adequacy of bad debt provision

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment	
Refer to note 4 and note 8 to the consolidated financial statements As at 31 December 2017, the carrying amount of goodwill was approximately RMB 161 million. Goodwill acquired through business combinations has been primarily allocated to the cash-generating unit ("CGU") of the Infusion Set Business. There is a risk of impairment of goodwill because the revenue growth of 2017 is slower as compared to that of previous years. 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. We focused on this area due to the significance of the goodwill balance and because the impairment assessment involved significant judgement and estimates made by the management.	In our testing of management's annual goodwill impairment assessment: • we tested the mathematical accuracy of cash-flow forecasts of the CGU; • we assessed the appropriateness of the valuation models and the discount rate, with the assistance of our internal valuation specialists, taking into account the cost of capital of the Company and comparable organizations in the market; • we compared short term revenue growth rates from the latest three-year strategic plans of the Company with the Company's historical financial information and budget; • we compared the long term revenue growth rates with the economic forecasts in China; • we compared the major cost component forecasts with the Company's historical financial information and budget; • we performed sensitivity analysis on the key drivers of the cash flow forecast, including profit margin, long term growth rate and discount rate. Based upon the above procedures, we considered that the management's goodwill impairment assessment was supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Adequacy of bad debt provision Refer to note 15 to the consolidated financial statements As at 31 December 2017, trade receivables which aged over one year amounted to approximately RMB66,187,000 (2016: RMB52,503,000), which represented approximately 35% (2016: 25%) 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 RMB21,861,000 as at 31 December 2017 (2016: RMB866,000). Management assessed the collectability of trade receivables on individual basis, and estimated the extent that they would not be recovered, after considering the past settlements of the individual customers, the sales to and settlements from the individual customers during the year and their subsequent settlements. We focused on this area because management's assessment for adequacy of bad debt provision involved estimates and judgements by management.	In our testing of the recoverability of trade receivables, • we understood and evaluated the Group's credit control procedures and bad debt assessment procedures; • on sample basis, we requested confirmations of client debtor balances. Where a response to our request was not received, we performed alternative procedures, by agreeing amounts recorded to underlying invoices and good delivery notes and agreeing the relevant trade receivable balances to post year end cash receipts, if any; • on sample basis, we performed analysis on past settlements of the individual customers, the sales to and settlements from individual customers during the year by inspecting bank payment slips, good delivery notes and sending confirmation to customers to confirm the transaction amounts during the year. We also checked subsequent settlements by inspecting bank payment slips subsequent to the year end; • we checked the aging profile on trade receivables, focusing on older debts for which little or no provision had been made. We challenged management on the explanations of the recoverability of these older unprovided amounts with reference to corroborating explanations and correspondence with the customers. Based upon the above, we found that judgements made by management in relation to the assessment of adequacy of bad debt provision were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

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. We report our opinion 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 scepticism 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 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 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 Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Michael W.H. Chan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000
Assets			
Non-current assets			
Land use rights	6	**47,118**	60,937
Property, plant and equipment	7	**837,820**	687,236
Intangible assets	8	**187,811**	841,381
Deferred income tax assets	22	**5,412**	4,357
Long-term prepayments	13	**8,486**	3,455
Trade receivables	15	**30,200**	—
Total non-current assets		**1,116,847**	1,597,366
Current assets			
Inventories	14	**45,807**	53,745
Amounts due from Disposal Group	29(a)	**27,722**	—
Trade and other receivables	15	**243,330**	686,437
Prepaid income tax		**1,759**	—
Cash and cash equivalents	16	**364,259**	149,563
		682,877	889,745
Assets of Disposal Group classified as held for sale	29	**1,368,929**	—
Total current assets		**2,051,806**	889,745
Total assets		**3,168,653**	2,487,111
Equity			
Equity attributable to owners of the Company			
Share capital	17	**964**	979
Share premium	17	**1,492,318**	1,528,311
Treasury shares	17	**—**	(8,890)
Other reserves	18	**401,903**	71,354
Retained earnings	19	**864,668**	742,584
		2,759,853	2,334,338
Non-controlling interests		**183,661**	(336)
Total equity		**2,943,514**	2,334,002

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	22	**28,714**	53,438
Deferred income	23	**1,083**	1,283
Total non-current liabilities		**29,797**	54,721
Current liabilities			
Amounts due to Disposal Group	29(a)	**28,330**	—
Trade and other payables	21	**54,826**	94,763
Current income tax liabilities		**—**	3,625
		83,156	98,388
Liabilities of Disposal Group classified as held for sale	29	**112,186**	—
Total current liabilities		**195,342**	98,388
Total liabilities		**225,139**	153,109
Total equity and liabilities		**3,168,653**	2,487,111

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 64 to 141 were approved by the Board of Directors on 28 March 2018 and were signed on its behalf.

Yue'e Zhang **Jiang Liwei**

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations			
Revenue	5	**286,913**	319,583
Cost of sales	25	**(112,386)**	(109,277)
Gross profit		**174,527**	210,306
Selling expenses	25	**(54,785)**	(41,696)
Administrative expenses	25	**(70,560)**	(45,260)
Research and development expenses	25	**(13,114)**	(11,713)
Other gains — net	24	**8,611**	11,988
Operating profit		**44,679**	123,625
Finance income	27	**1,774**	4,218
Finance costs	27	**(1,372)**	—
Finance income — net	27	**402**	4,218
Profit before income tax		**45,081**	127,843
Income tax expenses	28	**(11,304)**	(20,210)
Profit for the year from continuing operations		**33,777**	107,633
Discontinued operations			
Profit for the year from discontinued operations — Regenerative Medical Biomaterial Business	29	**117,565**	132,524
Loss for the year from discontinued operations — Orthopedic Implant Business		**—**	(46,711)
Profit for the year		**151,342**	193,446
Profit/(loss) attributable to:			
Owners of the Company		**122,084**	194,949
Non-controlling interests		**29,258**	(1,503)
		151,342	193,446
Profit attributable to owners of the Company arises from:			
Continuing operations		**33,119**	109,136
Discontinued operations		**88,965**	85,813
		122,084	194,949

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2017	2016 (Restated)
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the year (expressed in RMB cents per share)			
Basic earnings per share	34		
From continuing operations		**2.10**	6.72
From discontinued operations		**5.64**	5.28
From profit for the year		**7.74**	12.00
Diluted earnings per share	34		
From continuing operations		**2.10**	6.71
From discontinued operations		**5.64**	5.27
From profit for the year		**7.74**	11.98

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000 (Restated)
Profit for the year		**151,342**	193,446
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences	18	**(42)**	105
Other comprehensive income for the year, net of tax		**(42)**	105
Total comprehensive income for the year		**151,300**	193,551
Attributable to:			
— Owners of the Company		**122,042**	195,054
— Non-controlling interests		**29,258**	(1,503)
Total comprehensive income for the year		**151,300**	193,551
Total comprehensive income attributable to owners of the Company arises from:			
Continuing operations		**33,077**	109,241
Discontinued operations		**88,965**	85,813
		122,042	195,054

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	1,034	1,666,821	—	82,008	547,635	2,297,498	1,167	2,298,665
Comprehensive income								
Profit for the year	—	—	—	—	194,949	194,949	(1,503)	193,446
Other comprehensive income								
Currency translation differences	—	—	—	105	—	105	—	105
Total comprehensive income	—	—	—	105	194,949	195,054	(1,503)	193,551
Exercise of employee share option (Note 17)	—	266	—	(164)	—	102	—	102
Buy-back of shares (Note 17)	(55)	(138,776)	(8,890)	—	—	(147,721)	—	(147,721)
Share option reserve	—	—	—	(10,595)	—	(10,595)	—	(10,595)
Total transactions with owners in their capacity as owners	(55)	(138,510)	(8,890)	(10,759)	—	(158,214)	—	(158,214)
Balance at 31 December 2016	979	1,528,311	(8,890)	71,354	742,584	2,334,338	(336)	2,334,002

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	979	1,528,311	(8,890)	71,354	742,584	2,334,338	(336)	2,334,002
Comprehensive income								
Profit for the year	—	—	—	—	122,084	122,084	29,258	151,342
Other comprehensive income								
Currency translation differences	—	—	—	(42)	—	(42)	—	(42)
Total comprehensive income	—	—	—	(42)	122,084	122,042	29,258	151,300
Exercise of employee share option (Note 17)	—	3,369	—	(2,012)	—	1,357	—	1,357
Buy-back and cancellation of shares (Note 17)	(15)	(39,362)	8,890	—	—	(30,487)	—	(30,487)
Changes in ownership interest in subsidiaries without change of control (Note 18(iii))	—	—	—	332,603	—	332,603	167,397	500,000
Dividends paid to non-controlling interests in subsidiaries (Note 18(iii))	—	—	—	—	—	—	(12,658)	(12,658)
Total transactions with owners in their capacity as owners	(15)	(35,993)	8,890	330,591	—	303,473	154,739	458,212
Balance at 31 December 2017	964	1,492,318	—	401,903	864,668	2,759,853	183,661	2,943,514

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**240,080**	324,380
Income tax paid		**(56,303)**	(57,617)
Net cash generated from operating activities		**183,777**	266,763
Cash flows from investing activities			
Proceeds from disposals of subsidiaries	30(d)	**454,367**	(29,908)
Payments for property, plant and equipment		**(10,037)**	(4,366)
Payments for construction in progress		**(250,050)**	(270,562)
Purchases of land use rights	6	**—**	(630)
Purchases of intangible assets	8	**—**	(1,218)
Purchases of available-for-sale financial assets	10	**(1,181,750)**	(309,700)
Proceeds from disposals of available-for-sale financial assets	10	**1,199,521**	310,859
Proceeds from disposals of property, plant and equipment	30(c)	**18**	589
Interest received		**1,774**	3,979
Net decrease in restricted cash		**—**	40,000
Net cash generated from/(used in) investing activities		**213,843**	(260,957)
Cash flows from financing activities			
Buy-back of shares	17(b)	**(30,487)**	(147,721)
Proceeds from capital injection by non-controlling interests	18	**500,000**	—
Proceeds from employee share option exercised	17(a)	**390**	102
Dividends paid to non-controlling interest in subsidiaries	18	**(12,658)**	—
Net cash generated from/(used in) financing activities		**457,245**	(147,619)
Net increase/(decrease) in cash and cash equivalents		**854,865**	(141,813)
Cash and cash equivalents at beginning of the year	16	**149,563**	288,224
Exchange (losses)/gains on cash and cash equivalents		**(1,763)**	3,152
Transfer to Disposal Group classified as held for sale	29(a)	**(638,406)**	—
Cash and cash equivalents at end of the year		**364,259**	149,563

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the development, manufacturing and sale of (i) advanced infusion set products (the "Infusion Set Business"); (ii) regenerative medical biomaterial products (the "Regenerative Medical Biomaterial Business"); and (iii) orthopedic implants products (the "Orthopedic Implant Business") in the People's Republic of China (the "PRC" or "China"). During the year ended 31 December 2016, the Orthopedic Implant Business was disposed and presented as a discontinued operation (Note 29). On 1 January 2018, the Regenerative Medical Biomaterial Business was disposed and presented as a discontinued operation in these financial statements (Notes 29 and 36).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRSs

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs").

(ii) Historical cost convention

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Income taxes — Amendments to HKAS 12,
- Statement of cash flows — Amendment to HKAS 7, and
- Disclosure of interest in other entities — Amendments to HKAS 12.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 4	Insurance contracts 'Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts'	1 January 2018 or when the entity first applies HKFRS 9
Amendment to HKFRS 1	First time adoption of HKFRSs	1 January 2018
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019 Early adoption is permitted only if HKFRS 15 is adopted at the same time.
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

The Group's assessment of the impact of these significant new standards and interpretations is set out below.

HKFRS 9 Financial instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group's financial assets that are currently classified as available-for-sale (AFS) will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the year ended 31 December 2017, RMB17,771,000 of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets, but all of above available-for-sale financial assets were included in Regenerative Medical Biomaterial Business which was disposed on 1 January 2018.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects limited effect in the loss allowance for trade debtors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

HKFRS 9 Financial instruments (Continued)

Impact (Continued)

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue from contracts with customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements. At this stage, based on the assessments undertaken to date the new rules have limited impact on the Group's financial statements.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB1,208,000.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 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 2.3).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(i) Subsidiaries (Continued)

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

(ii) Associates

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

(iii) Equity accounting

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

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

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 2.10.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(iv) Changes in ownership interests (Continued)

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.

2.3 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

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.

2.4 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.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(i) 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.

(ii) 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 income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

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

(iii) Group companies

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(iii) 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.

2.7 Land use rights

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

2.8 Property, plant and equipment

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment (Continued)

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

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

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

2.9 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets (Continued)

(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

2.10 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.

2.11 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 2.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets

(i) Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (Note 15 and 16).

(c) Available-for-sale financial assets

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

(ii) Recognition and measurement

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(ii) Recognition and measurement (Continued)

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

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

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

2.13 Impairment of financial assets

(i) Asset carried at amortised cost

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

(ii) Asset classified as available for sale

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

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

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

2.14 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.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 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 balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Current and deferred income tax

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

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

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

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

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

(iii) Investment allowances and similar tax incentives

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

2.20 Employee benefits

(i) Pension obligations

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

(ii) Housing benefits

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits (Continued)

(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.

2.21 Share based payments

(i) Equity-settled share-based payment transactions

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Share based payments (Continued)

(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.

2.22 Provisions and contingent liabilities

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

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

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

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

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

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after elimination of sales made within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue recognition (Continued)

Sales of goods — medical devices and related products

Timing of recognition: 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.

Measurement of revenue: Revenue and trade receivables from sales is based on the price and volume specified in the sales contracts and orders. No element of financing is deemed present as the sales are made with a credit term within 180 days to 365 days, which is consistent with market practice.

2.24 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.25 Dividend income

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

2.26 Government grants

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

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

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

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 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.

2.29 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 FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by finance department and Chief Financial Officer (the "CFO") under policies approved by the board of directors of the Company (the "Board"). Group treasury department identifies and evaluates in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, and non-derivative financial instruments, and investment of excess liquidity.

3.1 Financial risk factors

(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 ("HKD") and the United States dollar ("USD"). 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2017, if HKD and USD had strengthened/weakened by 3% against RMB (2016: 3%) with all other variables held constant, the net profit and equity would have changed mainly as a result of foreign exchange gains/losses on translation of HKD and USD denominated cash and cash equivalents.

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Year ended:		
Increase/(decrease)		
— Strengthened 3% (2016: 3%)	**606**	372
— Weakened 3% (2016: 3%)	**(606)**	(372)

(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.

(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, restricted cash, trade and other receivables and available-for-sale financial assets 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 problem.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are the four largest state-owned commercial banks in the PRC, or public listed companies. Most of the bank deposits of the Group are placed with financial commercial banks with a BBB+ or above Standard and Poor credit rating.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure the follow-up action is taken to recover overdue debts. We grant credit limits to certain customers in consideration of their payment history and business performance. Prepayment is usually required for orders placed over credit limits. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of the year to ensure adequate impairment losses are made for irrecoverable amounts.

Available-for-sale financial assets are short-term investments placed with state-owned financial institution in the PRC. There was no recent history of default and the executive directors of the Group are of the opinion that the credit risk related to the investment is low.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities at the year end of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end) and the earliest date the Group may be required to pay.

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
At 31 December 2017			
Amounts due to Disposal Group (Note 9)	**28,330**	**—**	**28,330**
Financial liabilities as included in trade and other payables (Note 9)	**28,236**	**—**	**28,236**
	56,566	**—**	**56,566**
At 31 December 2016			
Financial liabilities as included in trade and other payables (Note 9)	51,930	—	51,930
	51,930	—	51,930

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital 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. This ratio is calculated as total borrowings divided by total capital. Since there was no borrowing as at 31 December 2017 and 2016, the gearing ratio was zero.

3.3 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

There were no transfers between levels 1, 2 and 3 during the year (2016: Nil).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Income 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 January 1, 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%.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Income taxes (Continued)

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

(b) Impairment of trade and other receivables

Management reviews its trade and other receivables for objective evidence of impairment. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered as objective evidence that a receivable is impaired. In determining this, management makes judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect on the market and economic environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgments as to whether an impairment loss should be recorded as an expense.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.9(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 8, 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 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.

(d) 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.

5 SEGMENT INFORMATION

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

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

Continuing operations:

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

Discontinued operations:

— Regenerative Medical Biomaterial Business — On 1 January 2018, Regenerative Medical Biomaterial Business was disposed and presented as discontinued operations for the year ended 31 December 2017 and comparatives for the year ended 31 December 2016 has been restated accordingly (Note 29 and 36);

— Orthopedic Implant Business — During 2016, Orthopedic Implant Business was disposed and presented as discontinued operations for the year ended 31 December 2016 (Note 29);

— Others — operations of other businesses.

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

5 SEGMENT INFORMATION (Continued)

Year ended 31 December 2017

	Continuing operations	Discontinued operations				
	Infusion Set Business RMB'000	Regenerative Medical Biomaterial Business RMB'000	Orthopedic Implant Business RMB'000	Others RMB'000	Sub-total RMB'000	Total RMB'000
Revenue from external customers	286,913	280,979	—	5,546	286,525	573,438
Cost of sales	(112,386)	(44,450)	—	(4,641)	(49,091)	(161,477)
Gross profit	174,527	236,529	—	905	237,434	411,961
Selling expenses	(54,785)	(41,338)	—	(5,412)	(46,750)	(101,535)
Administrative expenses (c)	(70,560)	(21,542)	—	(308)	(21,850)	(92,410)
Research and development expenses	(13,114)	(8,797)	—	(2,516)	(11,313)	(24,427)
Other gains — net	8,611	17,296	—	—	17,296	25,907
Segment profit	44,679	182,148	—	(7,331)	174,817	219,496
Finance income						2,179
Finance costs						(1,795)
Finance income — net						384
Profit before income tax						219,880
Segment assets (d)	1,794,312	1,337,055	—	29,553	1,366,608	3,160,920
Deferred income tax assets						7,733
Total assets						3,168,653
Segment liabilities	84,239	67,279	—	4,739	72,018	156,257
Deferred income tax liabilities						68,882
Total liabilities						225,139
Other segment information						
Amortisation of land use rights	1,054	332	—	8	340	1,394
Depreciation of property, plant and equipment	16,050	2,464	—	49	2,513	18,563
Amortisation of intangible assets	3,672	22,275	—	—	22,275	25,947

5 SEGMENT INFORMATION (Continued)

Year ended 31 December 2016 (Restated)

	Continuing operations	Discontinued operations				
	Infusion Set Business RMB'000	Regenerative Medical Biomaterial Business RMB'000	Orthopedic Implant Business RMB'000	Others RMB'000	Sub-total RMB'000	Total RMB'000
Revenue from external customers	319,583	241,745	121,108	5,494	368,347	687,930
Cost of sales	(109,277)	(35,096)	(28,677)	(4,256)	(68,029)	(177,306)
Gross profit	210,306	206,649	92,431	1,238	300,318	510,624
Selling expenses	(41,696)	(31,037)	(21,095)	(4,543)	(56,675)	(98,371)
Administrative expenses (c)	(45,260)	(10,914)	(99,821)	(478)	(111,213)	(156,473)
Research and development expenses	(11,713)	(5,941)	(10,833)	(2,010)	(18,784)	(30,497)
Other gains — net	11,988	2,151	813	—	2,964	14,952
Segment profit	123,625	160,908	(38,505)	(5,793)	116,610	240,235
Finance income						4,511
Finance costs						(24)
Finance income — net						4,487
Profit before income tax						244,722
Segment assets	1,248,301	768,574	—	465,879	1,234,453	2,482,754
Deferred income tax assets						4,357
Total assets						2,487,111
Segment liabilities	63,870	33,439	—	2,362	35,801	99,671
Deferred income tax liabilities						53,438
Total liabilities						153,109
Other segment information						
Amortisation of land use rights	1,032	332	60	8	400	1,432
Depreciation of property, plant and equipment	15,357	3,252	16,047	74	19,373	34,730
Amortisation of intangible assets	4,270	21,970	1,003	—	22,973	27,243

5 SEGMENT INFORMATION (Continued)

(a) Concentration of customers

Revenues of approximately RMB28,956,000 (2016: RMB35,333,000) are derived from a single external customer. These revenues are attributable to the Infusion Set Business segment.

(b) Geographical segment information

The Group's operations, assets and most of the customers are located in the PRC. Accordingly, no geographical analysis of revenue, non-current assets and customers is presented.

(c) The head office overheads were of approximately RMB18,894,000 and RMB17,680,000 in 2017 and 2016, respectively, and all of them were allocated to continuing operations.

(d) The segment assets of Infusion Set Business included the proceeds of RMB439,367,000 from disposal of Orthopedic Implant Business (Note 30(d)).

6 LAND USE RIGHTS

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

	2017 RMB'000	2016 RMB'000
Opening net book amount	60,937	64,110
Additions	—	630
Amortisation charge	(1,394)	(1,432)
Disposals of subsidiaries	—	(2,371)
Transfer to Disposal Group classified as held for sale	(12,425)	—
Closing net book amount	47,118	60,937
Cost	52,297	66,181
Accumulated amortisation	(5,179)	(5,244)
	47,118	60,937

6 LAND USE RIGHTS (Continued)

Amortisation of land use rights has been charged to the consolidated income statement as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Cost of sales	**204**	263
Administrative expenses	**850**	769
	1,054	1,032

	2017 RMB'000	2016 RMB'000 (Restated)
Profit or loss of continuing operations (Note 25)	**1,054**	1,032
Profit or loss of discontinued operations — Orthopedic Implant Business	**—**	60
Profit or loss of discontinued operations — Regenerative Medical Biomaterial Business	**340**	340
	1,394	1,432

7 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 vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2016							
Cost	157,793	18,920	18,092	171,606	10,601	389,442	766,454
Accumulated depreciation	(28,791)	(7,103)	(12,910)	(52,819)	(5,503)	—	(107,126)
Net book amount	129,002	11,817	5,182	118,787	5,098	389,442	659,328
Year ended 31 December 2016							
Opening net book amount	129,002	11,817	5,182	118,787	5,098	389,442	659,328
Additions	251	—	2,861	1,027	227	229,965	234,331
Transfer	42,650	—	536	6,817	—	(50,003)	—
Disposals	—	—	(288)	(332)	(10)	—	(630)
Depreciation	(8,610)	(4,035)	(2,292)	(18,152)	(1,641)	—	(34,730)
Disposals of subsidiaries	(105,960)	(3,008)	(1,759)	(59,548)	(788)	—	(171,063)
Closing net book amount	57,333	4,774	4,240	48,599	2,886	569,404	687,236
At 31 December 2016							
Cost	83,972	6,831	14,583	86,778	6,939	569,404	768,507
Accumulated depreciation	(26,639)	(2,057)	(10,343)	(38,179)	(4,053)	—	(81,271)
Net book amount	57,333	4,774	4,240	48,599	2,886	569,404	687,236
Year ended 31 December 2017							
Opening net book amount	**57,333**	**4,774**	**4,240**	**48,599**	**2,886**	**569,404**	**687,236**
Additions	**1,770**	**—**	**966**	**1,900**	**355**	**203,077**	**208,068**
Transfer	**126,836**	**—**	**2,472**	**1,195**	**—**	**(130,503)**	**—**
Disposals	**—**	**—**	**(25)**	**(266)**	**—**	**—**	**(291)**
Depreciation	**(7,316)**	**(186)**	**(1,644)**	**(8,500)**	**(917)**	**—**	**(18,563)**
Transfer to Disposal Group classified as held for sale	**(12,833)**	**—**	**(975)**	**(4,001)**	**(476)**	**(20,345)**	**(38,630)**
Closing net book amount	**165,790**	**4,588**	**5,034**	**38,927**	**1,848**	**621,633**	**837,820**
At 31 December 2017							
Cost	**191,130**	**6,831**	**7,994**	**72,592**	**6,380**	**621,633**	**906,560**
Accumulated depreciation	**(25,340)**	**(2,243)**	**(2,960)**	**(33,665)**	**(4,532)**	**—**	**(68,740)**
Net book amount	**165,790**	**4,588**	**5,034**	**38,927**	**1,848**	**621,633**	**837,820**

As at 31 December 2017, the Group is still in the process of applying the ownership certificates of certain buildings with the aggregated carrying amounts of RMB129,031,000 (2016: RMB8,102,000).

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation of property, plant and equipment has been charged to the consolidated income statement as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Cost of sales	**9,161**	10,289
Administrative expenses	**5,467**	4,242
Selling expenses	**324**	305
Research and development expenses	**1,098**	521
	16,050	15,357

	2017 RMB'000	2016 RMB'000 (Restated)
Profit or loss of continuing operations (Note 25)	**16,050**	15,357
Profit or loss of discontinued operations — Orthopedic Implant Business	**—**	16,047
Profit or loss of discontinued operations — Regenerative Medical Biomaterial Business	**2,513**	3,326
	18,563	34,730

Construction work in progress as at 31 December 2017 mainly comprises new manufacturing factory under construction.

No capitalised borrowing costs in 2017 and 2016.

8 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 2016						
Cost	622,956	1,449	34,711	356,820	5,012	1,020,948
Accumulated amortisation	—	(439)	(5,826)	(42,987)	(3,898)	(53,150)
Net book amount	622,956	1,010	28,885	313,833	1,114	967,798
Year ended 31 December 2016						
Opening net book amount	622,956	1,010	28,885	313,833	1,114	967,798
Additions	—	898	—	320	—	1,218
Amortisation charge	—	(298)	(2,314)	(23,796)	(835)	(27,243)
Impairment of goodwill (Note 30)	(79,397)	—	—	—	—	(79,397)
Disposals of subsidiaries	(9,576)	(1,147)	—	(10,272)	—	(20,995)
Closing net book amount	533,983	463	26,571	280,085	279	841,381
At 31 December 2016						
Cost	533,983	858	34,711	343,237	5,012	917,801
Accumulated amortisation	—	(395)	(8,140)	(63,152)	(4,733)	(76,420)
Net book amount	533,983	463	26,571	280,085	279	841,381
Year ended 31 December 2017						
Opening net book amount	**533,983**	**463**	**26,571**	**280,085**	**279**	**841,381**
Amortisation charge	**—**	**(180)**	**(2,314)**	**(23,174)**	**(279)**	**(25,947)**
Transfer to Disposal Group classified as held for sale	**(373,229)**	**—**	**(17,728)**	**(236,666)**	**—**	**(627,623)**
Closing net book amount	**160,754**	**283**	**6,529**	**20,245**	**—**	**187,811**
At 31 December 2017						
Cost	**160,754**	**858**	**11,755**	**36,440**	**5,012**	**214,819**
Accumulated amortisation	**—**	**(575)**	**(5,226)**	**(16,195)**	**(5,012)**	**(27,008)**
Net book amount	**160,754**	**283**	**6,529**	**20,245**	**—**	**187,811**

8 INTANGIBLE ASSETS (Continued)

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

	2017 RMB'000	2016 RMB'000 (Restated)
Cost of sales	**2,429**	2,429
Administrative expenses	**180**	222
Selling expenses	**1,063**	1,619
	3,672	4,270

	2017 RMB'000	2016 RMB'000 (Restated)
Profit or loss of continuing operations (Note 25)	**3,672**	4,270
Profit or loss of discontinued operations — Orthopedic Implant Business	**—**	1,003
Profit or loss of discontinued operations — Regenerative Medical Biomaterial Business	**22,275**	21,970
	25,947	27,243

Impairment tests for goodwill

Goodwill acquired through business combinations has been primarily allocated to the Infusion Set Business and Regenerative Medical Biomaterial Business as below:

	Infusion Set Business RMB'000	**Regenerative Medical Biomaterial Business[*]** RMB'000	**Total** RMB'000
As at 31 December 2016	160,754	373,229	533,983
As at 31 December 2017	160,754	—	160,754

(*) Regenerative Medical Biomaterial Business was disposed on 1 January 2018 (Note 29 and 36).

Goodwill is monitored by the management at the operating segment level.

8 INTANGIBLE ASSETS (Continued)

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the businesses in which the CGU operates.

The key assumptions used for value-in-use calculations in 2017 and 2016 are as follows:

	Infusion Set Business	
	2017	2016
Gross margin	**63.0%**	65.0%
Growth rate	**2.5%**	2.5%
Discount rate	**17.6%**	17.6%

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

Management determined budgeted gross 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.

9 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RMB'000
Assets as per balance sheet	
At 31 December 2017	
Amounts due from Disposal Group	**27,722**
Trade and other receivables (excluding prepayments)	**189,552**
Cash and cash equivalents	**364,259**
Total	**581,533**
At 31 December 2016	
Trade and other receivables (excluding prepayments)	679,312
Cash and cash equivalents	149,563
Total	828,875

9 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
At 31 December 2017	
Amounts due to Disposal Group	**28,330**
Trade and other payables (excluding advance from customers, salary and staff welfare payables and value added tax and other taxes)	**28,236**
Total	**56,566**
At 31 December 2016	
Trade and other payables (excluding advance from customers, salary and staff welfare payables and value added tax and other taxes)	51,930

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
At beginning of the year	**—**	—
Additions	**1,181,750**	309,700
Change in value of available-for-sale financial assets	**17,771**	1,159
Disposals	**(1,199,521)**	(310,859)
At end of the year	**—**	—

The investments represent investments in wealth management products with maturity within 1 year and without fixed return issued by certain PRC state-owned banking institution. These investments are all denominated in RMB.

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

(i) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains were recognised in profit or loss and other comprehensive income.

	2017 RMB'000	2016 RMB'000
Gains recognised as other gains in profit or loss of discontinued operations — Regenerative Medical Biomaterial Business	**17,771**	1,159

(ii) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 3.3. None of the available-for-sale financial assets are either past due or impaired.

11 SUBSIDIARIES

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

Company name	Place of incorporation and operation/ kind of legal entity	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Effective equity interests held 31 December 2017	2016	Principal activities
Directly owned:						
PWM Investment Holdings Company Limited	Hong Kong/ Limited liability company	30 October 2009	211,447,750 ordinary shares of Hong Kong dollar ("HKD") 1 each	**100%**	100%	Investment holding
Health Access Limited ("Health Access")	Hong Kong/ Limited liability company	29 June 2011	480,026,001 ordinary shares of HKD1 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	**70%**	70%	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
Beijing Jishang Biotechnology Co., Ltd (北京即上生物科技有限公司)	PRC/Limited liability company	20 March 2017	RMB500,000	**100%**	–	Others

11 SUBSIDIARIES (Continued)

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

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
				2017	2016	
Subsidiaries under the Disposal Group (i):						
Health Forward Holdings Limited	Hong Kong/Limited liability company	21 January 2010	10,000 ordinary shares of HKD1 each and 10,000 ordinary shares of USD12,920.31 each	100%	100%	Investment holding
Tianxinfu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有限公司 "Tianxinfu")	PRC/Limited liability company	18 January 2002	RMB45,000,000	80%*	100%	Regenerative Medical Biomaterial Business
Beijing Lima-TXF Medical Equipment Co., Ltd. (北京麗瑪天新福醫療器械有限責任公司)	PRC/Limited liability company	10 November 2005	EURO3,200,000/ EURO1,518,500	60%*	75%*	Regenerative Medical Biomaterial Business
Subsidiaries under disposal group (ii):						
Lhasa Tianqiong Investment Management Co., Ltd. (拉薩天穹投資管理有限公司)	PRC/Limited liability company	30 January 2013	RMB7,000,000	–	–	Investment holding
Tianjin Yingshang Technological Development Co., Ltd. (天津市英尚科技发展有限公司)	PRC/Limited liability company	16 October 2009	RMB6,000,000	–	–	Investment holding
Tianjin Walkman Biomaterial Co., Ltd. (天津市威曼生物材料有限公司 "Walkman Biomaterial")	PRC/Limited liability company	8 November 2001	RMB100,000,000	–	–	Orthopedic Implant Business
Tianjin Shengge Biology Engineering Co., Ltd. (天津市聖格生物工程有限公司)	PRC/Limited liability company	21 March 2006	RMB10,000,000	–	–	Orthopedic Implant Business
Anyang Weili Metal Technology Co., Ltd. (安陽市偉力金屬科技有限責任公司)	PRC/Limited liability company	12 August 1996	RMB3,000,000	–	–	Orthopedic Implant Business
Shenzhen Bone Medical Device Co., Ltd. (深圳市博恩醫療器材有限公司)	PRC/Limited liability company	12 November 2002	RMB45,000,000	–	–	Orthopedic Implant Business
Disposed subsidiary (iii):						
Beijing Weikangtongda Medical Device Co., Ltd. (北京維康通達醫療器械技術有限公司 "Weikangtongda")	PRC/Limited liability company	31 July 2014	RMB50,000,000	–	–	Infusion Set Business

* The directors of the Company consider that the non-controlling interests of the subsidiary were insignificant to the Group and thus the individual financial information of the subsidiary is not disclosed.

11 SUBSIDIARIES (Continued)

The English names of certain subsidiaries referred to above represented the best efforts by management of the Company in translating the subsidiaries' Chinese names, as they do not have official English names.

(i) On 12 October 2017, the Group entered into a share exchange agreement to dispose of the subsidiaries, which engaged in the Regenerative Medical Biomaterial Business, to an independent third party at a total consideration of approximately US$513.45 million (equivalent to approximately RMB3.38 billion). The transaction has been completed on 1 January 2018, the assets and liabilities related to the disposed subsidiaries have been presented as assets/liabilities of the Disposal Group classified as held for sale in 2017, and the results of operations have been presented as discontinued operations and comparatives for the year ended 31 December 2016 has been restated accordingly (Note 29 and 36).

(ii) On 24 December 2016, the Group entered into an agreement to dispose of the subsidiaries, which engaged in the Orthopedic implant Business, to an independent third party at a consideration of RMB450,000,000. The transaction has been completed before 31 December 2016 and the results of the Orthopedic implant Business have been presented as discontinued operations (Note 29).

(iii) On 8 December 2016, Fert Technology entered into an agreement to dispose of one of its subsidiaries, namely Weikangtongda, to an independent third party at a consideration of RMB15,000,000. The gain on disposal was approximately RMB6,099,000 (Note 24).

12 INVESTMENT IN AN ASSOCIATE

	2017 RMB'000	2016 RMB'000
Investment in an associate (i)	**4,366**	4,366
Impairment provision (ii)	**(4,366)**	(4,366)
	—	—

(i) Beijing XinFu Mindcam Intelligent Engineering Co., Ltd. ("Xinfu Mindacam") was incorporated in the PRC on 23 May 2007 with limited liability under the Company Law of the PRC. The registered capital of the associate was USD1,500,000, out of which 40% equity interests was contributed by Tianxinfu, at a consideration of USD600,000 (equivalent to approximately RMB4,366,000).

(ii) Xinfu Mindacam was inactive during the past two years. The Board considered that the carrying amount of the investment was not recoverable and full impairment was made against the investment.

(iii) As at 31 December 2017, the investment in an associate was held by the Disposal Group and has been included in the assets of the Disposal Group classified as held for sale (Note 29 and 36).

The Board considered that there was no material associate which warrants disclosure of separate financial information.

13 LONG-TERM PREPAYMENTS

	2017 RMB'000	2016 RMB'000
Prepayments for property, plant and equipment	**8,310**	3,264
Others	**176**	191
	8,486	3,455

14 INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**24,271**	20,556
Work in progress	**8,273**	9,224
Finished goods	**13,263**	23,965
	45,807	53,745

The cost of inventories recognised as expense and included in "cost of sales" of continuing operations amounted to RMB96,921,000 (2016: RMB93,771,000), with no inventory write-down included.

15 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**213,018**	214,125
Less: provision for impairment (b)	**(21,861)**	(866)
Trade receivables — net (a)	**191,157**	213,259
Bills receivable (d)	**2,200**	689
Prepayments	**53,778**	7,125
Receivables from disposals of Orthopedic Implant Business (e)	**4,466**	443,833
Receivables from disposal of a subsidiary (e)	**—**	15,000
Value added tax recoverable	**15,723**	—
Other receivables (f)	**6,206**	6,531
	273,530	686,437
Trade receivables — non-current (c)	**(30,200)**	—
Trade and other receivables — current portion	**243,330**	686,437

As at 31 December 2017 and 2016, except for the prepayments which are not financial assets, the fair value of the trade and other receivables approximated their carrying amounts. As at 31 December 2017 and 2016, the carrying amounts of the trade and other receivables are denominated in RMB.

(a) As at 31 December 2017 and 2016, the ageing analysis of the trade receivables based on invoice date is as follows:

	2017 RMB'000	2016 RMB'000
Up to 3 months	**49,356**	83,950
3 months to 6 months	**32,574**	28,062
6 months to 12 months	**43,040**	48,744
1 year to 2 years	**57,494**	36,194
2 years to 3 years	**8,693**	16,309
	191,157	213,259

15 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impaired trade receivables

Trade receivables arose mainly from Infusion Set Business as sales from Regenerative Medical Biomaterial Business were normally settled by advance payments from customers. The Group agreed with the customers of Infusion Set Business in settling trade receivables with reference to credit periods within 180 days to 365 days or outstanding balances within certain limits. No interests are charged on the trade receivables.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the customers,
- probability that the customers will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within administrative expenses. Subsequent recoveries of amounts previously written off are credited against administrative expenses. See note 2.13 for information about how impairment losses are calculated.

As of 31 December 2017, trade receivables of RMB139,926,000 (2016: RMB4,615,000) were impaired. The amount of the provision was RMB21,861,000 as of 31 December 2017 (2016: RMB866,000). The ageing of these receivables is as follows:

	2017 RMB'000	2016 RMB'000
Up to 3 months	**17,228**	—
3 months to 6 months	**15,992**	—
6 months to 12 months	**30,535**	1,151
1 year to 2 years	**71,645**	3,464
2 years to 3 years	**4,526**	—
	139,926	4,615

15 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impaired trade receivables (Continued)

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

	2017 RMB'000	2016 RMB'000
At 1 January	**866**	8,076
Provision for impairment of receivables	**20,995**	866
Disposals of subsidiaries	**—**	(8,076)
At 31 December	**21,861**	866

(c) Non-current portion of the trade receivables

As of February 2018, Fert Technology entered into agreements (the "Agreements") individually with three major customers (the "Customers") who owed total amount of approximately RMB125,865,000 to Fert Technology. Pursuant to the Agreements, approximately RMB55,865,000 (the "Overdue Debts") are identified as amount that exceeding the line of credit being granted to the Customers. The Overdue Debts will be settled in cash by monthly instalment of RMB2.8 million for a period within two years commencing from March 2018. Accordingly, total amount of RMB30,200,000 is classified as non-current portion of trade receivables.

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

(e) Movements on the receivables from disposals of subsidiaries are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**458,833**	—
Receivables from disposals of Orthopedic Implant Business	**—**	449,833
Receivables from disposal of a subsidiary	**—**	15,000
Cash receipt from disposals of Orthopedic Implant Business	**(439,367)**	(6,000)
Cash receipt from disposals of a subsidiary	**(15,000)**	—
At 31 December	**4,466**	458,833

15 TRADE AND OTHER RECEIVABLES (Continued)

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

	2017 RMB'000	2016 RMB'000
Advances to employees	**2,542**	2,308
Deposits	**495**	1,265
Others	**3,169**	2,958
	6,206	6,531

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

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

16 CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash on hand	**162**	118
Cash at banks	**364,097**	149,445
	364,259	149,563

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

	2017 RMB'000	2016 RMB'000
RMB	**340,504**	134,988
HKD	**22,953**	12,544
USD	**802**	1,927
EUR	**—**	104
	364,259	149,563

17 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
Balance at 1 January 2016	1,673,022,168	1,034	1,666,821	—	1,667,855
Proceeds from employee share option exercised	159,236	—	102	—	102
Buy-back of shares	(82,864,000)	(55)	(138,776)	(8,890)	(147,721)
Transfer from other reserves upon exercise of share option (c)	—	—	164	—	164
Balance at 31 December 2016	1,590,317,404	979	1,528,311	(8,890)	1,520,400
Balance at 1 January 2017	**1,590,317,404**	**979**	**1,528,311**	**(8,890)**	**1,520,400**
Proceeds from employee share option exercised (a)	**2,149,682**	**—**	**1,357**	**—**	**1,357**
Buy-back and cancellation of shares (b)	**(23,835,000)**	**(15)**	**(39,362)**	**8,890**	**(30,487)**
Transfer from other reserves upon exercise of share option (c)	**—**	**—**	**2,012**	**—**	**2,012**
Balance at 31 December 2017	**1,568,632,086**	**964**	**1,492,318**	**—**	**1,493,282**

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

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

(c) Upon exercise of share options, share option reserve amounting to RMB2,012,000 (2016: RMB164,000) was transferred to share premium.

18 OTHER RESERVES

	Merger Reserve (i) RMB'000	Translation Reserve RMB'000	Capital reserve (ii) RMB'000	Share option reserve RMB'000	Total RMB'000
Balance at 1 January 2016	63,964	6,625	(1,703)	13,122	82,008
Currency translation differences	—	105	—	—	105
Transfer to share premium upon exercise of share options (Note17(c))	—	—	—	(164)	(164)
Share option reserve	—	—	—	(10,595)	(10,595)
Balance at 31 December 2016	63,964	6,730	(1,703)	2,363	71,354
Currency translation differences	—	(42)	—	—	(42)
Transfer to share premium upon exercise of share options (Note17(c))	—	—	—	(2,012)	(2,012)
Changes in ownership interest in subsidiaries without change of control (iii)	—	—	332,603	—	332,603
Balance at 31 December 2017	**63,964**	**6,688**	**330,900**	**351**	**401,903**

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

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

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

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

19 RETAINED EARNINGS

	Group RMB'000
At 1 January 2016	547,635
Profit for the year	194,949
At 31 December 2016	742,584
At 1 January 2017	**742,584**
Profit for the year	**122,084**
At 31 December 2017	**864,668**

Statutory reserves made by the PRC subsidiaries of the Company amounting to RMB14,589,000 (2016: RMB15,162,000) was included in retained earnings.

20 SHARE BASED PAYMENTS

(i) Share options

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

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

The principal terms of the Scheme, 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.

20 SHARE BASED PAYMENTS (Continued)

(ii) Outstanding share options

Movements in the number of share options outstanding:

	Number of share options	
	2017	2016
At 1 January	**18,216,786**	35,621,248
Exercised	**(2,149,682)**	(159,236)
Forfeited	**(15,334,385)**	(17,245,226)
At 31 December	**732,719**	18,216,786

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2017 and 2016 are as follows:

		Number of share options	
Vesting date	**Exercise price**	**2017**	2016
7 May 2015	RMB0.63	**732,719**	2,882,401
7 May 2017	RMB0.63	**—**	15,334,385
		732,719	18,216,786

Pursuant to the principal terms of the Scheme, certain performance conditions in respective fiscal years should be met before exercise of share options. Share-based compensation expenses recognised in prior years in relation to the fourth Tranche (4 tranches in total) was reversed given certain performance conditions in relation to 2016 were not met, and all of the fourth Tranche share options were forfeited in 2017.

The exercisable period is 10 years from the grant date of the share options.

(iii) Fair value of share options

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

Risk free rate	3.59%
Dividend yield	1.00%
Expected volatility	38.00%

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

21 TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	15,782	26,679
Salary and staff welfare payables	21,299	32,096
Advances from customers	4,283	4,258
Provisions for sales rebate	—	8,309
Deposits	823	5,658
Payables for purchase of land use rights	4,277	4,277
Value added tax and other taxes	1,008	6,479
Professional service fee	1,968	2,295
Other payables	5,386	4,712
	54,826	94,763

Except for the salary and staff welfare payables, advances from customers and value added tax and other taxes which are not financial liabilities, as at 31 December 2017 and 2016, 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.

As at 31 December 2017 and 2016, the ageing analysis of the trade payables based on invoice date are as follows:

	2017 RMB'000	2016 RMB'000
Up to 3 months	13,917	21,197
3 months to 6 months	197	420
6 months to 12 months	536	3,811
1 year to 2 years	854	431
2 years to 3 years	259	100
Over 3 years	19	720
	15,782	26,679

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

22 DEFERRED INCOME TAX

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:

	2017 RMB'000	2016 RMB'000
Deferred tax assets:		
— to be recovered within 12 months	5,412	4,357
	5,412	4,357
Deferred tax liabilities:		
— to be recovered after more than 12 months	(9,125)	(49,072)
— to be recovered within 12 months	(19,589)	(4,366)
	(28,714)	(53,438)
Deferred tax liabilities — net	(23,302)	(49,081)

22 DEFERRED INCOME TAX (Continued)

Movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Provision for impairment of receivables RMB'000	Write-down of inventories to the realisable value RMB'000	Salary and staff welfare payable RMB'000	Provision for sales rebate RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	3,323	2,739	(46)	1,088	3,075	10,179
Recognised in consolidated income statement	130	(122)	46	158	653	865
Disposals of subsidiaries	(3,290)	(1,208)	—	—	(2,189)	(6,687)
At 31 December 2016	163	1,409	—	1,246	1,539	4,357
At 1 January 2017	**163**	**1,409**	**—**	**1,246**	**1,539**	**4,357**
Recognised in consolidated income statement	**3,756**	**19**	**—**	**530**	**(929)**	**3,376**
Transfer to Disposal Group classified as held for sale	**(33)**	**(169)**	**—**	**(1,776)**	**(343)**	**(2,321)**
At 31 December 2017	**3,886**	**1,259**	**—**	**—**	**267**	**5,412**

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets for tax losses carried forward with the amount of RMB36,464,000 (2016: RMB9,571,000). These tax losses will expire in 2018 to 2022.

Deferred tax liabilities:

	Fair value surplus arising from acquisition of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	(60,831)	(24)	(60,855)
Recognised in consolidated income statement	4,506	(41)	4,465
Disposals of subsidiaries	2,952	—	2,952
At 31 December 2016	(53,373)	(65)	(53,438)
At 1 January 2017	**(53,373)**	**(65)**	**(53,438)**
Recognised in consolidated income statement	**3,781**	**(19,225)**	**(15,444)**
Transfer to Disposal Group classified as held for sale	**40,102**	**66**	**40,168**
At 31 December 2017	**(9,490)**	**(19,224)**	**(28,714)**

23 DEFERRED INCOME

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

	2017 RMB'000	2016 RMB'000
At beginning of year	1,283	6,169
Additions	—	600
Credited to consolidated income statement	(200)	(714)
Disposals of subsidiaries	—	(4,772)
At end of year	1,083	1,283

24 OTHER GAINS — NET

	2017 RMB'000	2016 RMB'000 (Restated)
Government grants		
— relating to costs	8,512	5,354
— relating to assets	—	200
Gain on disposals of a subsidiary (Note 11(iii))	—	6,099
Loss on disposals of property, plant and equipment	(22)	—
Others	121	335
	8,611	11,988

25 EXPENSES BY NATURE

	2017 RMB'000	2016 RMB'000 (Restated)
Raw materials and consumable used	**42,047**	51,964
Changes in inventories of finished goods and work in progress	**(1,594)**	(10,057)
Employee benefits expenses (Note 26)	**90,837**	75,179
Depreciation of property, plant and equipment (Note 7)	**16,050**	15,357
Advertising, promotions and business development costs	**20,109**	14,686
Office and communication expenses	**6,339**	6,463
Direct research costs	**5,636**	8,048
Travelling and entertainment expenses	**8,068**	6,929
Taxes and levies	**5,788**	6,723
Provision for impairment of receivables (Note 15)	**20,995**	866
Low-value consumables	**3,103**	1,894
Operating lease payments	**2,162**	2,361
Transportation costs	**9,668**	7,997
Amortisation of land use rights (Note 6)	**1,054**	1,032
Amortisation of intangible assets (Note 8)	**3,672**	4,270
Professional fee	**5,562**	3,751
Auditor's remuneration		
— Audit services	**2,280**	2,700
— Non-audit services	**200**	—
Utilities	**7,842**	7,680
Others	**1,027**	103
Total cost of sales, selling expenses, administrative expenses and research and development expenses	**250,845**	207,946

26 EMPLOYEE BENEFITS EXPENSES

	2017 RMB'000	2016 RMB'000 (Restated)
Wages, salaries and bonuses	**71,292**	67,219
Staff welfare	**8,553**	5,123
Social security costs	**8,279**	7,546
Housing fund	**2,713**	2,987
Reversal of share-based compensation expenses	**—**	(7,696)
Total employee benefits expenses	**90,837**	75,179

26 EMPLOYEE BENEFITS EXPENSES (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2016: two) directors whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining four (2016: three) individuals during the year are as follows:

	2017 RMB'000	2016 RMB'000
Wages, salaries and bonuses	**6,034**	2,322
Social security costs	**199**	64
Housing fund	**60**	86
	6,293	2,472

The emoluments of these individuals fell within the following bands:

	Number of individuals Year ended 31 December	
	2017	2016
Emolument bands		
Nil to HKD 1,000,000	**—**	2
HKD 1,000,001 — HKD1,500,000	**1**	1
HKD 1,500,001 — HKD2,000,000	**2**	—
HKD 2,000,001 — HKD2,500,000	**1**	—
	4	3

27 FINANCE INCOME — NET

	2017 RMB'000	2016 RMB'000 (Restated)
Finance income:		
— Net foreign exchange gain	—	(1,975)
— Interest income on short-term bank deposits	(1,774)	(2,243)
Total finance income	(1,774)	(4,218)
Finance costs:		
— Net foreign exchange loss	1,372	—
Finance income — net	(402)	(4,218)

28 INCOME TAX EXPENSES

	2017 RMB'000	2016 RMB'000 (Restated)
Current income tax	14,409	22,214
Deferred income tax	(3,105)	(2,004)
Income tax expenses	11,304	20,210

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% during the year.

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

Except for Tianxinfu, Fert Technology and Xuzhou Yijia, the CIT of the Group in respect of its operations in mainland China is calculated at the tax rate of 25% on the estimated assessable profits for each of the year, based on the existing legislation interpretation and practices in respect thereof.

28 INCOME TAX EXPENSES (Continued)

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

Tianxinfu, Fert Technology and Xuzhou Yijia, were qualified as "High and New Technology Enterprises" under the CIT Law. Therefore, they were entitled to a preferential income tax rate of 15% on their estimated assessable profits during the year. 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) 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 withholding tax 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 year.

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:

	2017 RMB'000	2016 RMB'000 (Restated)
Profit before income tax	**45,081**	127,843
Tax calculated at statutory tax rates applicable to profits in the respective countries	**11,270**	31,960
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	**(5,343)**	(12,746)
Tax losses for which no deferred income tax asset was recognised	**4,590**	810
Additional deductible allowance for research and development expenses (i)	**(968)**	(745)
Deemed income for tax purpose	**87**	114
Expenses not deductible for tax purpose	**1,136**	841
Adjustment in respect of prior years	**532**	(24)
Tax charge	**11,304**	20,210

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

29 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 12 October 2017, the Company and China Biologic Products Holdings, Inc. ("CBPO") entered into a share exchange agreement ("Share Exchange Agreement"), pursuant to which the Company agreed to subscribe for a total of 5,521,000 new shares of CBPO (subject to adjustment) (the "CBPO Shares") in consideration of Regenerative Medical Biomaterial Business (the "Disposal Group") in the form of the entire issued share capital of Health Forward, which in turn owns 80% equity interest in Beijing Tianxinfu, at a total value of approximately US$513.45 million (equivalent to approximately RMB3.38 billion) with a subscription price of US$93.0 (equivalent to approximately RMB611.9) per CBPO Share. Immediately following the closing under the Share Exchange Agreement ("Closing"), the Company is expected to become the single largest shareholder of CBPO, with the CBPO Shares representing approximately 16.66% of the enlarged issued share capital of CBPO.

At the Closing, the Company and CBPO intend to enter into an investor rights agreement (the "Investor Rights Agreement") in relation to the Company's rights and obligations as a shareholder of CBPO after the Closing. The Investor Rights Agreement provides, among others, that the Company may designate one director to the board of directors of CBPO as long as the shares of CBPO beneficially owned by the Company represent at least 10% of the issued and outstanding share capital of CBPO immediately after the Closing.

Immediately following the Closing, the Company will cease to directly hold any equity interest in Health Forward and Beijing Tianxinfu, which will cease to be subsidiaries of the Company. Immediately following the Closing, CBPO will not become a subsidiary of the Company and its results will not be consolidated in the financial statements of the Company. The CBPO Shares held by the Company would be treated as an investment in an associate and accounted for using the equity method of accounting.

All the conditions precedent to the Closing as set out in the Share Exchange Agreement had been fulfilled on 1 January 2018 (Note 36).

After the disposal of the Disposal Group, the Group retains mainly Infusion Set Business (the "Remaining Group").

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

The operation of the Disposal Group for the year ended 31 December 2017 was presented as discontinued operation in the consolidated financial statements. The consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2016 and the related disclosure notes have been restated to separate the disclosures relating to the discontinued operation from that of the continuing operations.

29 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

(a) Assets and liabilities of Disposal Group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2017:

	2017 RMB'000
Assets classified as held for sale	
Land use rights	12,425
Property, plant and equipment	38,630
Intangible assets	254,394
Goodwill	373,229
Deferred income tax assets	2,321
Inventories	17,351
Amounts due from the Remaining Group (*)	28,330
Trade and other receivables	3,843
Cash and cash equivalents	638,406
Total assets of Disposal Group classified as held for sale	1,368,929
Liabilities directly associated with assets classified as held for sale	
Deferred income tax liabilities	(40,168)
Amounts due to the Remaining Group (*)	(27,722)
Trade and other payables	(38,744)
Current income tax liabilities	(5,552)
Total liabilities of Disposal Group classified as held for sale	(112,186)

(*) Amounts due from or due to the Remaining Group were mainly the unsettled outstanding balances of intra-group reorganization, which were presented as amounts due to or due from the Disposal Group in the consolidated balance sheet accordingly.

29 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

(b) Analysis of the result of the discontinued operations is as follows:

	2017 RMB'000	2016 RMB'000
Revenue	286,525	247,239
Cost of sales	(49,091)	(39,352)
Gross profit	237,434	207,887
Selling expenses	(46,750)	(35,580)
Administrative expenses	(21,850)	(11,392)
Research and development expenses	(11,313)	(7,951)
Other gains, net	17,296	2,151
Operating profit	174,817	155,115
Finance income	405	267
Finance costs	(423)	—
Finance (costs)/income — net	(18)	267
Profit before income tax	174,799	155,382
Income tax expenses	(57,234)	(22,858)
Profit for the year from discontinued operations	117,565	132,524
Profit for the year from discontinued operations attributable to:		
Owners of the Company	88,965	132,524
Non-controlling interests	28,600	—
Profit for the year from discontinued operations	117,565	132,524

(c) Analysis of cash flow of the discontinued operations is as follows:

	2017 RMB'000	2016 RMB'000
Operating cash flows	166,304	147,564
Investing cash flows	(2,173)	(130,607)
Financing cash flows	388,324	(31,500)
Total cash flows	552,455	(14,543)

30 CASH FLOW INFORMATION

(a) Cash generated from operations

	2017 RMB'000	2016 RMB'000 (Restated)
Profit before income tax from		
Continuing operations	45,081	127,843
Discontinued operations	174,799	116,879
Profit before income tax including discontinued operations	219,880	244,722
Adjustments for:		
Depreciation of property, plant and equipment (Note 7)	18,563	34,730
Amortisation of intangible assets (Note 8)	25,947	27,243
Amortisation of land use rights (Note 6)	1,394	1,432
Impairment loss of goodwill resulting from disposals of Orthopedic Implant Business (Note 8)	—	79,397
Gain on disposal of a subsidiary (Note 11(iii))		(6,099)
Share-based compensation expenses (Note 26)		
— Continuing operations	—	(7,696)
— Discontinued operations	—	(2,899)
Loss on disposals of property, plant and equipment		
— Continuing operations	22	—
— Discontinued operations	45	41
Realised gain on available-for-sale financial assets	(17,771)	(1,159)
Interest income	(1,774)	(2,462)
Unrealised exchange gain	1,763	(2,737)
Provision for impairment of receivables	20,995	866
Provision for write-down of inventories	126	—
	269,190	365,379
Change in working capital		
Inventories	(9,539)	(9,657)
Trade and other receivables	(2,634)	(52,185)
Deferred income	(200)	(114)
Trade and other payables	(16,737)	20,957
Cash generated from operating activities	240,080	324,380

(b) Non-cash investing and financing activities

The principal non-cash transaction is the disposal of subsidiaries discussed in Note 30(d).

30 CASH FLOW INFORMATION (Continued)

(c) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2017 RMB'000	2016 RMB'000
Net book amount (Note 7)	**291**	630
Receipt of consideration for disposals in prior year	**(206)**	—
Loss on disposals of property, plant and equipment	**(67)**	(41)
Proceeds from disposals of property, plant and equipment	**18**	589

(d) In the consolidated cash flow statement, disposals of subsidiaries comprise:

	2017 RMB'000	2016 RMB'000
Cash considerations	**—**	465,000
Cash and cash equivalents held by the subsidiaries disposed	**—**	(36,075)
Receivables from disposals of Orthopedic Implant Business	**—**	(443,833)
Receivables from disposal of a subsidiary	**—**	(15,000)
Cash receipt from disposals of Orthopedic Implant Business	**439,367**	—
Cash receipt from disposals of a subsidiary	**15,000**	—
	454,367	(29,908)

31 CONTINGENCIES

(a) During the year ended 31 December 2015, one of the Group's subsidiaries (the "Subsidiary", which is the principal company of the Regenerative Medical Biomaterial Business) received a Demand for Response Notice (應訴通知書) and corresponding litigation materials from a court in Beijing, the PRC, in which the plaintiff filed a civil action against the Subsidiary and its former shareholders before it was being acquired by the Group (collectively, the "Defendants") due to a dispute arising from the Technology Development Agreement (技術開發合同). The plaintiff required the Defendants to be liable for the profit dividend and interest of RMB10 million and the litigation costs of the case of RMB81,800. According to a written civil ruling issued by the court in charge of the case, the plaintiff's claim was previously rejected by the court. However, upon the plaintiff has appealed to the court of intellectual property, as of 7 June 2017 the litigation completed civil second instance and a retrial is required for the court in charge of the case. Despite such retrial, the directors of the Company and the Group's attorney agent still considered that since the Subsidiary is not a principal party of the said Technology Development Agreement, it is expected that it is unlikely for the Subsidiary to undertake legal liability for the litigation. Therefore, the directors estimate that the case will not make any substantial impact to the Group, nor will result in any material loss. As described in Note 29, the Subsidiary was disposed on 1 January 2018. According to the Share Exchange Agreement which signed between the Company and CBPO, there is a mutual understanding that the Company is obligated to pay to CBPO for any contingent liabilities arising from the Company's past practice conduct in the ordinary course of business.

31 CONTINGENCIES (Continued)

(b) During the year ended 31 December 2016, a PRC intermediate people's court issued a civil judgement (the "First Instance Judgement"), pursuant to which one of the Group's subsidiary, 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 corporate 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 (the "Suspected facts of the Borrower and the Borrowing Bank"). Accordingly, in August 2016, Xuzhou Yijia instituted an appeal to a PRC superior people's court on rejecting the First Instance Judgement.

On 10 July 2017, the litigation of second instance commenced and the Plaintiff submitted new evidence to support its ground to grant loan to the Borrower. On 24 November 2017, the litigation of second instance (the "Second Instance Judgement") completed, the Borrower shall undertake the principal and interest of the above loan, and Joint Guarantor shall undertake joint guarantee liability for it. The estimated joint guarantee liability including the original loan principal and accrued interest thereon amounted to approximately RMB22.5 million (the "Loan").

The directors of the Company and its appointed attorney agent analysed the latest situation of the case and considered the following in addition to the Suspected facts of the Borrower and the Borrowing Bank:

(i) The owner of the Borrower may have ability to repay part of the Loan via the realisation of certain asset in the company owned by the same owner;

(ii) There is another Joint Guarantor and shall undertake joint guarantee liability with Xuzhou Yijia for the Loan; and

(iii) There is legal ground to claim that Xuzhou Yijia shall undertake joint guarantee liability only limited to the loan principal amount of RMB10 million.

Based on the abovementioned consideration, the Company's appointed attorney agent instituted an appeal to a PRC higher court on rejecting the Second Instance Judgement.

The directors of the Company considered that the result of the appeal is uncertain and the Joint Guarantor is also obligated to the joint guarantee liability. However, as the Group acquired Xuzhou Yijia subsequent to its provision of the joint guarantee, the Group is entitled to make claims against the former owners of Xuzhou Yijia if the joint guarantee obligation causes any losses to the Group. Therefore, despite any unfavourable judgement, the directors of the Company are of the view that the case will not make any substantial impact to the Group, nor will result in any material loss.

(c) On 26 December 2017, a PRC intermediate people's court issued a civil judgement, pursuant to which one of the Group's subsidiary, Xuzhou Yijia shall undertake joint loan liability with an independent individual (the "Individual", which is one of the former owner of Xuzhou Yijia) for a loan amounting to RMB850,000 provided by another independent individual, the plaintiff, as the loan has been default in repayment. According to the civil judgement, the estimated joint loan liability including the original loan principal and accrued interest thereon amounted to approximately RMB2,100,000.

In 2018, Xuzhou Yijia has instituted an appeal to a PRC superior people's court on rejecting the aforementioned judgment.

The directors of the Company considered that the result of the litigation is uncertain and the Individual is also obligated to the joint loan liability. However, as the Group acquired Xuzhou Yijia subsequent to its provision of the joint loan liability, the Group is entitled to make claims against the former owners of Xuzhou Yijia if the joint loan obligation causes any losses to the Group. Therefore, the directors of the Company are of the view that the case will not make any substantial impact to the Group, nor will result in any material loss.

32 COMMITMENTS

(a) Capital commitments

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

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	**15,862**	17,123

(b) Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The non-cancellable lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at the market rate. The Group is required to give at least a one-month notice for the termination of these agreements. The lease expenditure and related management fee, water and electricity (if necessary) charged to the consolidated income statement during the year are disclosed in Note 25.

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

	2017 RMB'000	2016 RMB'000
No later than 1 year	**1,127**	1,933
Later than 1 year and no later than 5 years	**81**	832
	1,208	2,765

33 RELATED PARTY TRANSACTIONS

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

Saved as disclosed, elsewhere in the report during the year, the following transactions were carried out between the Group and related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Key management compensation

	2017 RMB'000	2016 RMB'000
Salaries and other allowances	**3,547**	3,472

34 EARNINGS PER SHARE

(a) Basic earnings per share

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 (Note 17).

	2017	2016 (Restated)
Profit attributable to owners of the Company:		
— Continuing operations (RMB'000)	**33,119**	109,136
— Discontinued operations (RMB'000)	**88,965**	85,813
	122,084	194,949
Weighted average number of ordinary shares in issue (thousands)	**1,576,456**	1,624,838
Basic earnings per share:		
— Continuing operations (RMB cents per share)	**2.10**	6.72
— Discontinued operations (RMB cents per share)	**5.64**	5.28
	7.74	12.00

(b) Diluted earnings per share

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

34 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

	2017	2016 (Restated)
Profit attributable to owners of the Company:		
— Continuing operations (RMB'000)	**33,119**	109,136
— Discontinued operations (RMB'000)	**88,965**	85,813
	122,084	194,949
Weighted average number of ordinary shares in issue (thousands)	**1,576,456**	1,624,838
Adjustments for:		
— Share options (thousands)	**871**	2,011
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,577,327**	1,626,849
Diluted earnings per share:		
— Continuing operations (RMB cents per share)	**2.10**	6.71
— Discontinued operations (RMB cents per share)	**5.64**	5.27
	7.74	11.98

35 DIVIDENDS

The Board does not propose a final dividend for the year ended 31 December 2017 (2016: Nil).

36 EVENTS AFTER THE BALANCE SHEET DATE

On 1 January 2018, all the conditions precedent to the Closing (Note 29) as set out in the Share Exchange Agreement had been fulfilled. Upon the Closing, the Company became the single largest shareholder of CBPO, with the CBPO Shares representing approximately 16.66% of the enlarged issued share capital of CBPO, and Health Forward and Beijing Tianxinfu ceased to be subsidiaries of the Company.

Below shows the financial impact of the disposal of the Disposal Group:

	RMB'000
Total consideration	3,355,005
Less: Carrying amount of net assets of Disposal Group	(1,256,743)
Add: Release of foreign exchange reserves attributable to Health Forward	8,342
Add: Non-controlling interest of Tianxinfu	184,506
Less: Stamp tax expenses of transaction	(3,489)
Gain before WHT	2,287,621
Less: WHT (10%)	(247,501)
Gain after WHT	2,040,120
Less: Income tax expenses of intra-group reorganization	(10,055)
Stamp tax expenses of intra-group reorganization	(1,240)
Net gain	2,028,825

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000
Assets			
Non-current assets			
Investments in and loans to subsidiaries		**1,440,547**	565,616
Current assets			
Amounts due from subsidiaries		**77,410**	920,293
Trade and other receivables		**1,354**	520
Cash and cash equivalents		**27,721**	12,285
		106,485	933,098
Total assets		**1,547,032**	1,498,714
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**964**	979
Share premium		**1,492,318**	1,528,311
Treasury shares		**—**	(8,890)
Other reserves	(a)	**9,376**	13,724
Accumulated losses	(a)	**(62,991)**	(48,596)
Total equity		**1,439,667**	1,485,528
Liabilities			
Current liabilities			
Amounts due to subsidiaries		**106,400**	11,963
Trade and other payables		**965**	1,223
		107,365	13,186
Total liabilities		**107,365**	13,186
Total equity and liabilities		**1,547,032**	1,498,714

The balance sheet of the Company was approved by the Board of Directors on 28 March 2018 and was signed on its behalf.

Yue'e Zhang **Jiang Liwei**

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Accumulated losses RMB'000	Other reserves RMB'000
At 1 January 2016	(48,971)	22,463
Profit for the year	375	—
Currency translation differences	—	2,020
Transfer to share premium upon exercise of share options (Note 17)	—	(164)
Share option reserve	—	(10,595)
At 31 December 2016	(48,596)	13,724
At 1 January 2017	**(48,596)**	**13,724**
Loss for the year	**(14,395)**	**—**
Currency translation differences	**—**	**(2,336)**
Transfer to share premium upon exercise of share options (Note 17)	**—**	**(2,012)**
At 31 December 2017	**(62,991)**	**9,376**

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The emoluments of each director and the chief executive during the year are set out below:

For the year ended 31 December 2017

Name of directors	Share-based compensation RMB'000	Wages, salaries and bonuses RMB'000	Fees RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chief executive officer and executive director					
— Ms. Yue'e Zhang	—	1,007	—	—	1,007
— Mr. Jiang Liwei	—	1,625	—	99	1,724
Non-executive directors					
— Mr. Lin Junshan	—	300	—	—	300
Independent non-executive directors					
— Mr. Chen Geng	—	172	—	—	172
— Mr. Wang Xiaogang	—	172	—	—	172
— Mr. Zhang Xingdong	—	172	—	—	172

For the year ended 31 December 2016

Name of directors	Share-based compensation RMB'000	Wages, salaries and bonuses RMB'000	Fees RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chief executive officer and executive director					
— Ms. Yue'e Zhang	—	1,007	—	—	1,007
— Mr. Jiang Liwei	—	1,500	—	146	1,646
Non-executive directors					
— Mr. Lin Junshan	—	300	—	—	300
Independent non-executive directors					
— Mr. Chen Geng	—	—	173	—	173
— Mr. Wang Xiaogang	—	—	173	—	173
— Mr. Zhang Xingdong	—	—	173	—	173

DEFINITIONS

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

"2018 AGM"	the AGM to be held on June 5, 2018
"AGM"	annual general meeting of the Company
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CBPO"	China Biologic Products Holdings, Inc., a Cayman Islands exempted company, which changed its domicile from Delaware to the Cayman Islands on July 21, 2017 and has been listed on the NASDAQ Stock Market since 2009
"CEO"	chief executive officer of the Company
"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), which is reformed and known as the State Administration for Market Regulation of the PRC (中華人民共和國市場監督管理總局) since March 18, 2018
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Closing"	the closing under the Share Exchange Agreement
"Company", "Group", "PW Medtech" or "we"	PW Medtech Group Limited (普华和順集团公司), 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 secretary of the Company
"Director(s)"	the director(s) of the Company
"Disposal Business"	the regenerative medical biomaterial business, which was carried out by Tianxinfu and its subsidiaries
"EPS"	earnings per Share
"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

"Health Forward", "Disposed Subsidiary"	Health Forward Holdings Limited, a company incorporated under the laws of Hong Kong on January 21, 2010, in which the equity interests of the Company were disposed of in January 2018
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Infusion Set Business"	the R&D, manufacturing and sale of advanced infusion set products
"IPO"	the Company's initial public offering of its Shares
"Listing Date"	November 8, 2013, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Opinions"	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)
"Orthopedic Implant Business"	the R&D, manufacturing and sale of orthopedic implant products
"Plants"	two plants of the Company located at Beijing
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on July 3, 2013 and amended on October 14, 2013
"Prospectus"	the prospectus of the Company dated October 28, 2013
"R&D"	research and development
"Regenerative Medical Biomaterial Business"	the R&D, manufacturing and sale of regenerative medical biomaterial products
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value US$0.0001 each in the issued share capital of the Company

"Share Exchange Agreement"	the share exchange agreement entered into between the Company and CBPO on October 12, 2017
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on October 14, 2013
"Shareholder(s)"	holder(s) of Shares
"Shenzhen Bone"	Shenzhen Bone Medical Device Co., Ltd. (深圳市博恩醫療器材有限公司), a limited liability company established under the laws of the PRC on November 12, 2002, in which the equity interests of the Company were disposed of in December 2016
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianxinfu"	Tianxinfu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有限公司), a joint stock company established in the PRC on January 18, 2002, in which the equity interests of the Company were disposed of in January 2018
"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

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