

PW MEDTECH GROUP LIMITED

普华和顺集团公司

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



INTERIM
REPORT
2023



A TRUE PIONEER IN THE CHINESE MEDICAL DEVICE INDUSTRY

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

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DEFINITIONS

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

“Audit Committee”	the audit committee of the Company
“Beijing Ruijian Biological”	Beijing Ruijian High-Tech Biological Technology Co., Ltd (北京瑞健高科生物科技有限公司), a limited liability company incorporated in the PRC on February 5, 2013
“Blood Purification Business”	the R&D, manufacturing and sales of blood purification medical devices
“Board”	our board of Directors
“CEO”	chief executive officer of the Company
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company”, “Group”, “PW Medtech” or “we”	PW Medtech Group Limited (普华和顺集团公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011 and except where the context indicated otherwise its subsidiaries
“Director(s)”	the director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standards
“Infusion Set Business”	the R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc.
“IPO”	the Company’s initial public offering of its Shares
“Lepu Biopharma”	Lepu Biopharma Co., Ltd. (樂普生物科技股份有限公司), a limited liability company incorporated in the PRC on January 19, 2018 and the H shares of which is listed and traded on the Main Board of the Stock Exchange (stock code: 2157)
“Lepu Medical”	Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), a joint stock company incorporated in the PRC on June 11, 1999 and listed on the Shenzhen Stock Exchange (stock code: 300003)
“Lepu Medical Group”	Lepu Medical and its subsidiaries
“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
“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 Biomaterials Business”	the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products
“Relevant Period”	the six months ended June 30, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Sales of Medical Devices Framework Agreement”	the sales of medical devices framework agreement dated July 5, 2022 entered into between the Company and Lepu Medical for the sales of medical devices from the Group to the Lepu Medical Group
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value US\$0.0001 each in the issued share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on October 14, 2013
“Shareholder(s)”	holder(s) of Shares
“Sichuan Ruijian Medical”	Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司), a joint stock limited liability company established in PRC on August 6, 2013, together with its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Mr. JIANG Liwei

Mr. LIN Junshan

Independent Non-executive Directors

Mr. WANG Xiaogang

Mr. CHEN Geng

Ms. WANG Fengli

COMPANY SECRETARY

Ms. SO Ka Man, *FCG, HKFCG*

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Ms. Yue'e ZHANG

Ms. SO Ka Man

AUDIT COMMITTEE

Mr. WANG Xiaogang (*Chairman*)

Mr. LIN Junshan

Mr. CHEN Geng

REMUNERATION COMMITTEE

Mr. CHEN Geng (*Chairman*)

Mr. LIN Junshan

Ms. WANG Fengli

NOMINATION COMMITTEE

Ms. Yue'e ZHANG (*Chairman*)

Mr. WANG Xiaogang

Ms. WANG Fengli

AUDITOR

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

REGISTERED OFFICE

The Grand Pavilion Commercial Centre

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Grand Cayman KY1-1208

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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348 Kwun Tong Road

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PRINCIPAL BANKERS

Morgan Stanley & Co International PLC

31/F, International Commerce Centre

1 Austin Road West, Kowloon

Hong Kong

China CITIC Bank

Wanliu Branch

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Wanliu Central Road

Haidian District

Beijing, PRC

HONG KONG LEGAL ADVISOR

Wilson Sonsini Goodrich & Rosati

Suite 1509, 15/F, Jardine House

1 Connaught Place, Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

P.O. Box 1350

Clifton House, 75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

STOCK CODE AND BOARD LOT

Stock code: 1358

Board lot: 1,000

WEBSITE

www.pwmedtech.com

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

Looking back on the first half of 2023, with the effective prevention and control of the COVID-19 pandemic, the downward trend of the global economy has gradually slowed down while the Chinese economy has shown a positive momentum. According to the data published by the National Bureau of Statistics, China's gross domestic product (GDP) in the first half of 2023 was RMB59,303.4 billion, representing a year-on-year increase of 5.5%. It symbolized a steady recovery in the national economy.

While the health needs of both urban and rural citizens increased, medical fees are more affordable to patients as China's economy has gradually stabilized. Together with the acceleration of population aging, China's demand for medical device products continued to grow. Meanwhile, the Chinese government has also issued various policies in recent years to increase the infrastructure construction and capital investment in the medical field and promote the localization and innovation of medical devices. All the abovementioned factors promoted the rapid, steady and high-quality development of China's medical device industry. From the perspective of market size, China has become the second largest market for medical devices in the world with the continuously improved industry agglomeration and international competitiveness.

The Company is a leading medical device company in China focusing on fast-growing and high-margin segments of China's medical device industry. The Group currently consists of three principal business segments including the Infusion Set Business, the Blood Purification Business and the Regenerative Medical Biomaterials Business. During the Relevant Period, the Group continued to broaden its product portfolio, strengthen its R&D capabilities and actively expand its distribution networks.

During the Relevant Period, the Group's revenue amounted to approximately RMB319.0 million, representing an increase of 48.9% over the corresponding period of the previous year, primarily due to the growth in the sales of the Group's Blood Purification Business and Infusion Set Business, and a longer consolidation period of the Blood Purification Business. The gross profit amounted to approximately RMB176.8 million, representing an increase of 46.0% over the corresponding period of the previous year. The overall gross profit margin for the period amounted to approximately 55.4%. The profit attributable to owners of the Company amounted to approximately RMB71.0 million, representing an increase of 17.1% over the corresponding period of the previous year.

In recent years, the reform of centralized bulk procurement of medical consumables has continued to advance. The Group believes that although the reform of centralized bulk procurement will bring pricing pressure to the industry in the short term, the reform will help standardization of the industry in the long run. With the normalization of centralized procurement of consumables, the medical device industry will gradually step into a new stage of stabilized pricing with increasing volume. The Group will adjust its strategic direction in a timely manner according to the national policy guidelines of centralized procurement, and actively embrace the new norm to ensure the sustainable development of the Group's profitability.

As of June 30, 2023 and during the Relevant Period, the Group maintained a stable and sound financial position and cash flows. It is expected that the operating revenue of the Group in the future will be on a positive growth trend.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

With advantages like large scale and rapid growth, China's medical device market has rooms for development and now become the second largest market in the world. The medical device industry is a multidisciplinary, knowledge- and capital-intensive high-tech industry involving various aspects such as pharmacy, machinery, electronics and materials. Focusing on fast-growing and high-margin segments of China's medical device market, the Company strives to support the upgrade of the industry by improving product innovation and R&D capabilities, expanding manufacturing capacity and product portfolio.

In terms of the Infusion Set Business segment, the Group is a leading company in China in advanced infusion set business, focusing on the R&D, manufacturing and sale of products including infusion set, intravenous cannula and insulin needles and pens etc. With the recovery of hospital traffic and lifting of travel restrictions, the sales volume of the Infusion Set Business segment is expected to gradually restore. In 2023, the Group successfully obtained the registration certificates for dialysis cannula and light resistant cannula. For these two products, the Group is the second company in China to obtain registration certificates.

In terms of the Blood Purification Business segment, the Group completed the equity acquisition of Sichuan Ruijian Medical in February 2022 and officially developed blood purification business. According to research reports, the global hemodialysis market amounted to US\$87 billion in 2022 and is expected to reach US\$111.4 billion in 2028. In addition, due to the acceleration of aging population in China, the rising incidence of metabolic diseases and the increasing number of end-stage renal disease patients, the domestic demands for hemodialysis treatment has become significant and there is still room for blood purification medical devices in terms of demand. In the first half of 2023, the Blood Purification Business recorded rapid growth. Apart from the existing dialysis consumable products, the Group also conducts R&D of continuous renal replacement therapy consumable products. By fully integrating various resources, the Group will invest in the R&D of the blood purification products and expedite the expansion of the sales networks for blood purification products and thus increasing market share.

In terms of Regenerative Medical Biomaterials Business segment, driven by acceleration of population aging, national economic development, improvement of citizens' quality of life as well as technological innovation, the medical biomaterials in China are in rapid development and have broad market potential. Through the equity acquisition and capital increase of Beijing Ruijian Biological, the Group restarted its operation in a leading regenerative medical biomaterials sector. Beijing Ruijian Biological adopts a leading and new generation of tissue regenerative material technology and has a complete product pipeline, the application scenarios of which cover various aspects in relation to herniorrhaphy, burns and scalds, oral repairing, breast reconstruction and injection cosmetology. The Group believes that the regenerative medical biomaterials sector has extremely high growth potentials and is one of the medical device fields with the most investment value. The Group will make full use of its advanced technological advantages and resource integration capabilities in developing its potential within this business sector. In 2023, the Group has submitted an application for registration of its breast tissue patch products, and will submit the application for registration of its oral cavity repair membrane products in the near future. It is currently proceeding with the clinical trials of the injection granules products, and has already completed the type testing of the biological sponge products.

As of June 30, 2023, the Group has obtained 48 registration certificates for products, covering, among others, infusion set, intravenous cannula, intestinal feeding device, insulin injection pen, insulin injection needle, blood transfusion set, hemodialyzer, hemodiafilter, hemoperfutor and biologic patch.

We believe that the domestic demand for medical device upgrade will resume normal simultaneously together with China's economic recovery. In the long run, the active attention and strong support from the Chinese government for the medical device industry will bring a broader prospect with huge market potential. The Group will continue to give full play to its own advantages, make positive contributions to the safety and efficiency of medical care as well as the development of the medical device industry. Also, through continuous optimization of business layout, the Group will be able to consolidate its leading position in China's medical device industry.

Emphasis on Innovation and R&D

The Group always regards innovation and R&D capabilities as its crucial competitive advantages. The Group has established a R&D team that consists of experienced, strong and dedicated members and is committed to continuously improving the functions of existing products and developing new product portfolios. The R&D team closely cooperates with surgeons, hospitals (especially Class III Grade A hospitals), first-class university research centers and other research institutions.

As of June 30, 2023, the Group owned 177 patents for products, including 107 patents in relation to infusion set products, 48 patents for blood purification products and 22 patents for regenerative medical biomaterial products, and had applied for 46 new patents.

The Group will continue its investment in product innovation and R&D. Following the R&D strategy of “produce and focus our R&D efforts for a leading next generation of products”, it will expand its R&D and innovation capability of medical devices so as to enhance the overall competitiveness of the Group in the industry.

Optimization of Marketing Network

In terms of sales and marketing, the Group continued to optimize its sales structure and marketing strategy, closely followed the medical industry policies and flexibly adjusted its bidding strategies. The Group has a strong, proficient and professional sales and marketing team led by a group of sales experts with over 10 years of experience in their respective fields. Nearly half of the team members possess medical education background, enabling us to communicate with doctors and nurses in a professional and effective manner, which can support and consolidate the Group’s distribution network in 31 provinces, municipalities and autonomous regions across the country and strengthen the product promotion of all business segments.

In July 2022, the Group and Lepu Medical entered into the Sales of Medical Devices Framework Agreement. Individual transactions under such agreement are being implemented. The Group believes that with the well-established global product distribution network of Lepu Medical, such sales of medical devices framework agreements will help promote the distribution and sales of the Group’s products, and enhance the Group’s brand value and influence in the overseas markets.

Regarding the operational management, the Group continued to implement the strategy of “low cost and high quality” to improve operating efficiency. As one of the leaders in China’s medical device industry, the Group will continue to strengthen its three major business segments and promote the expansion of the marketing networks of various business segments, striving to stabilize its market position, increase market share as well as improve its competitiveness among the industry.

Strategic Acquisitions

With the continuous standardization of the medical device industry in China, the Group believes that the merger and acquisition of the medical device companies in respect of core business will be a future trend which will increase the industry concentration and thus enhancing the market share of products and strengthening profitability. In the future, the Group will assess subsisting situations, and continue to seek opportunities for merger and acquisition projects with promising outlooks and potential for sustainable growth. It will also look for investment, merger and acquisition targets that can bring synergy, achieving satisfactory investment return.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

	Six months ended June 30,		Change
	2023 RMB'000	2022 RMB'000	
Revenue			
— Infusion Set Business	131,848	116,787	12.9%
— Blood Purification Business ^(note i)	187,167	97,462	92.0%
— Regenerative Medical Biomaterials Business ^(note ii)	—	—	
Total Revenue	319,015	214,249	48.9%
Gross profit ^(note i)	176,799	121,091	46.0%
Gross profit margin	55.4%	56.5%	
Profit for the period ^{(note i) (note ii)}	96,873	71,485	35.5%
Profit attributable to owners of the Company ^{(note i) (note ii)}	70,976	60,628	17.1%

Notes:

- (i) The Group completed the acquisition of the Blood Purification Business on February 28, 2022, and consolidated the results of this business segment from March 1, 2022. Therefore, the Group's consolidated statement of profit or loss for the six months ended June 30, 2022 includes figures for this segment for four months, while for the Relevant Period, it includes results for six months. Please refer to further detailed analysis of the respective items provided below.
- (ii) The Group completed the acquisition of the Regenerative Medical Biomaterials Business on April 29, 2022, and consolidated the results of this business segment from April 30, 2022. Therefore, the Group's consolidated statement of profit or loss for the six months ended June 30, 2022 includes figures for this segment for two months, while for the Relevant Period, it includes results for six months. Please refer to further detailed analysis of the respective items provided below.

Revenue

The revenue of the Group increased by 48.9% from approximately RMB214.2 million for the six months ended June 30, 2022 to approximately RMB319.0 million for the Relevant Period, as a result of the increase in sales of the Infusion Set Business and Blood Purification Business.

Revenue from the Blood Purification Business for the Relevant Period amounted to approximately RMB187.2 million, representing an increase of 92.0% compared to approximately RMB97.5 million for the four-month period ended June 30, 2022 (the period after the completion of the acquisition).

Comparing to the revenue from the Blood Purification Business as recorded in the unaudited management accounts of the relevant subsidiaries prepared under HKFRS for the six months ended June 30, 2022, revenue from the Blood Purification Business increased by 29.7% for the Relevant Period. The increase is mainly contributed by the increase in sales volume as a result of increased market demand, the expansion of sales network and recovery of the hospital traffic during the Relevant Period.

Revenue from the Infusion Set Business amounted to approximately RMB131.8 million for the Relevant Period, representing an increase of 12.9% from the six months ended June 30, 2022. The increase was mainly due to the increase in sales volume as a result of recovery of the hospital traffic in the PRC during the Relevant Period.

Gross Profit

The Group's gross profit increased by 46.0% from approximately RMB121.1 million for the six months ended June 30, 2022 to approximately RMB176.8 million for the Relevant Period. The gross profit margin decreased from 56.5% for the six months ended June 30, 2022 to 55.4% for the Relevant Period, which is primarily attributable to the increased proportion of revenue generated from the Blood Purification Business with a lower gross margin, together with the slight decrease of gross profit margin of the Infusion Set Business.

The gross profit margin of the Blood Purification Business was 51.6% for the Relevant Period, increased by 0.6 percentage points from 51.0% for the four-month period ended June 30, 2022 due to the change of product mix.

The gross profit margin of the Infusion Set Business decreased from 61.1% for the six months ended June 30, 2022 to 60.9% for the Relevant Period, which was mainly due to the decrease of the unit sales price.

Selling and Marketing Expenses

Selling and marketing expenses increased by 9.4% from approximately RMB35.8 million for the six months ended June 30, 2022 to approximately RMB39.2 million for the Relevant Period. This increase was mainly the net result of: (i) the selling expenses of the Blood Purification Business increased from approximately RMB5.8 million for the four-month consolidation period in 2022 to RMB12.4 million for six-month consolidation period in 2023, which is largely in line with the growth of sales; and (ii) the decrease of selling and marketing expenses of the Infusion Set Business from RMB30.0 million for the six months period in 2022 to RMB26.8 million for the Relevant Period due to the decrease in promotion expenses resulting from implementation of cost control measures.

General and Administrative Expenses

General and administrative expenses increased by 30.3% from approximately RMB45.9 million for the six months ended June 30, 2022 to approximately RMB59.8 million for the Relevant Period. The increase was mainly attributable to the increase of administrative expenses incurred by the Blood Purification Business and the Regenerative Medical Biomaterials Business.

The general and administrative expenses of the Blood Purification Business increased from approximately RMB14.7 million for the four-month consolidation period in 2022 to approximately RMB23.9 million for the six-month consolidation period in 2023. The general and administrative expenses included effect of amortisation of the intangible assets and depreciation of property, plant and equipment valuation surplus identified and recorded in the Group's consolidated financial statements during the purchase accounting process under HKFRSs, which amounted to approximately RMB10.8 million for the Relevant Period (approximately RMB7.2 million for the four-month post acquisition period in 2022).

The general and administrative expenses of the Regenerative Medical Biomaterials Business increased from approximately RMB0.3 million for the two-month period ended June 30, 2022 (the period after the completion of the acquisition on April 29, 2022) to approximately RMB6.0 million during Relevant Period. The increase was mainly due to: (i) the amortisation of the intangible assets valuation surplus identified and recorded in the Group's consolidated financial statements during the purchase accounting process under HKFRSs, which amounted to approximately RMB3.7 million for the Relevant Period (nil for the two-month post acquisition period in 2022); and (ii) the increase of personnel and office expenses, professional fee and other administrative expense.



MANAGEMENT DISCUSSION AND ANALYSIS

The general and administrative expenses of the Group and the Infusion Set Business decreased by 3.5% from approximately RMB30.8 million for the six months ended June 30, 2022 to approximately RMB29.8 million for the Relevant Period. The decrease is the net result of: (i) the reversal of approximately RMB4.4 million impairment loss on trade receivables for the Relevant Period due to improved receivable collection during the Relevant Period, as compared to the provision of approximately RMB3.2 million for the six months ended June 30, 2022; (ii) the increase of provision for impairment loss on loan receivables amounted to approximately RMB1.2 million due to the increase of loan receivables balance as at June 30, 2023 and (iii) the increase of professional services fee, renovation cost for the properties and staff cost.

R&D Expenses

R&D expenses increased by 67.8% from approximately RMB13.7 million for the six months ended June 30, 2022 to approximately RMB23.0 million for the Relevant Period, which was mainly due to the increase of R&D expenses incurred by the Blood Purification Business and Regenerative Medical Biomaterials Business.

R&D expenses of the Blood Purification Business increased from approximately RMB3.5 million for the four-month post acquisition period during 2022 to approximately RMB10.5 million for the Relevant Period. The increase is mainly due to increased investment in R&D projects and a longer consolidation period for the six months ended 2023.

R&D expenses of the Regenerative Medical Biomaterials Business increased from approximately RMB3.5 million for the two-month post acquisition period during 2022 to approximately RMB5.3 million for the Relevant Period. The increase is mainly due to a longer consolidation period for the six months ended 2023.

Other Gains — Net

Net other gains decreased by 20.6% from approximately RMB42.3 million for the six months ended June 30, 2022 to approximately RMB33.5 million for the Relevant Period. The decrease was mainly the net result of: (i) the decrease of net foreign exchange gain from approximately RMB26.8 million for the six months ended June 30, 2022 to approximately RMB2.9 million for the Relevant Period as a result of decrease in the amount of United States dollar deposits held by the Group during the Relevant Period; and (ii) the increase in government grants for approximately RMB10.6 million which was mainly due to the receipt of subsidies for foreign investment enterprise by the Blood Purification Business.

Fair Value Loss on Investment Properties

Fair value loss on investment properties was approximately RMB0.2 million for the Relevant Period, compared with fair value loss of approximately RMB1.3 million for the six months ended June 30, 2022. The fair value loss was mainly due to the investment properties located in Shandong being unoccupied during the period.

Operating Profit

Operating profit increased by 32.3% from approximately RMB66.6 million for the six months ended June 30, 2022 to approximately RMB88.2 million for the Relevant Period, mainly due to: (i) the increase of the operating profit generated by the Blood Purification Business from approximately RMB29.7 million for the four-months post acquisition period during 2022 to approximately RMB66.2 million for the Relevant Period due to the increase of sales and other income, offset by the increase of operating loss generated by the Regenerative Medical Biomaterials Business from approximately RMB3.5 million for the two-month post acquisition period during 2022 to approximately RMB11.3 million for the Relevant Period; and (ii) the decrease of net foreign exchange gain.

Finance Income — Net

Net finance income increased by 53.9% from approximately RMB13.2 million for the six months ended June 30, 2022 to approximately RMB20.3 million for the Relevant Period, which was mainly due to increase of loans granted to third parties and more efficient use of bank balances in short-term and low risk investment (including financial products) during the period.

Income Tax Expenses

Income tax expenses increased by 38.8% from approximately RMB8.3 million for the six months ended June 30, 2022 to approximately RMB11.5 million for the Relevant Period, which was mainly due to the increase of taxable profit.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company increased by RMB10.3 million from approximately RMB60.6 million for the six months ended June 30, 2022 to approximately RMB71.0 million for the Relevant Period. The increase was mainly due to increases of operating profit, partially offset by the increase of income tax expenses.

Trade and Other Receivables

The Group's trade receivables primarily comprised the outstanding payment from credit sales. As of June 30, 2023, the trade and other receivables of the Group was approximately RMB185.2 million, representing an increase of approximately RMB18.2 million as compared to approximately RMB166.9 million as of December 31, 2022, which was mainly due to the increase of trade receivables and prepayments of the Blood Purification Business as a result of increase of sales and procurement.

The Group has selected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and established a provision matrix that was based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The details are disclosed in Note 19 to the interim condensed consolidated financial statements for the Relevant Period.

The Group reviews the financial performance of the customers with long aging receivables periodically and revises the credit terms granted to the customers based on credit risk analysis. Besides review of account receivables, the management may also use letter of collection and lawyer's letter to collect the receivables. The Group would also negotiate with customers to explore the use of debt agreement if there are higher risk of recoverability. In some circumstances, the internal legal department of the Group would be involved in collection of receivables to explore the availability of legal actions, and to issue formal communication to the customer before escalating the actions. Out of the trade receivables aged over 6 months which amounted to approximately RMB35.2 million at December 31, 2022, a total of approximately RMB16.5 million was subsequently received up to June 30, 2023.

As at June 30, 2023, the Group had made loss allowances of approximately RMB21.5 million (as at December 31, 2022: RMB25.9 million) on the trade receivables with a gross amount of approximately RMB101.8 million (as at December 31, 2022: RMB104.9 million).

Inventories

Inventories increased by 9.8% from approximately RMB132.2 million as at December 31, 2022 to approximately RMB145.2 million as at June 30, 2023, which was mainly due to the increase of inventories of the Blood Purification Business caused by the increase in stock of raw materials and finished goods to meet potential market demand for the second half of the year.



MANAGEMENT DISCUSSION AND ANALYSIS

Property, Plant and Equipment

Property, plant and equipment mainly include buildings and facilities, machinery and equipment and construction in progress. As at June 30, 2023, the property, plant and equipment of the Group amounted to approximately RMB913.1 million, representing a decrease of approximately RMB18.2 million as compared to approximately RMB931.2 million as at December 31, 2022. The decrease was mainly the net result of the depreciation and purchase of new production facilities.

Investment Properties

Investment properties, mainly comprising factories and offices which are held by the Group for long-term rental yields. As at June 30, 2023, the investment properties of the Group amounted to approximately RMB298.7 million, representing an increase by approximately RMB0.6 million as compared to approximately RMB298.1 million as at December 31, 2022. The increase was due to: (i) the recognition of the fair value loss on investment properties of RMB0.2 million for the Relevant Period; and (ii) the slight increase in the property available for rent amounted to approximately RMB0.8 million. The detailed information regarding the investment properties could be found in Note 14 to the interim condensed consolidated financial statements.

Intangible Assets and Goodwill

The Group's intangible assets mainly include development cost, technology know-how, trademarks, computer software and customer relationship. The Group's goodwill, technology know-how, trademarks and customer relationships are mainly identified and recorded during the purchase accounting process for the acquisitions of subsidiaries. The intangible assets are amortised with straight line method for 10–20 years. The goodwill is subject to impairment test at each period end.

As at June 30, 2023, the net value of the Group's intangible assets and goodwill was approximately RMB1,655.5 million, representing a decrease of RMB1.0 million as compared to approximately RMB1,656.5 million as of December 31, 2022. The decrease was primarily the net result of amortisation of the intangible assets and increase in capitalised development costs during the Relevant Period.

Loan Receivable

As at June 30, 2023, the Company's gross amount of loan receivable was approximately RMB295.5 million which includes a loan granted to an independent third party on April 20, 2023 as disclosed in the announcement of the Company dated April 20, 2023 and several other loans granted to different independent third parties. The detailed information regarding the loan receivable could be found in Note 17 to the interim condensed consolidated financial statements.

Financial Assets at Fair Value through Other Comprehensive Income

As at June 30, 2023, the Group's financial assets at fair value through other comprehensive income was approximately RMB72.8 million (December 31, 2022: RMB90.3 million). The decrease was mainly due to the decrease in the fair value of the Group's investment in the H shares of Lepu Biopharma as a result of decline in its share price. The detailed information regarding the financial assets could be found in Note 18 to the interim condensed consolidated financial statements.

Financial Resources and Liquidity

As at June 30, 2023, the Group's cash and bank balances amounted to approximately RMB1,420.0 million (December 31, 2022: RMB1,381.9 million). As at June 30, 2023, the Group's bank borrowing balance was nil (December 31, 2022: nil).

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

Pledge of Assets

During the Relevant Period, the Group did not enter into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. The Group did not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging, R&D or other services with it.

Commitments

As of June 30, 2023, the Group had a total capital commitment of approximately RMB30.7 million (December 31, 2022: RMB35.6 million), comprising mainly contracted capital expenditure for acquisition of property, plant and equipment.

Capital Expenditure

During the Relevant Period, the Group incurred capital expenditure of approximately RMB30.2 million (for the six months ended June 30, 2022: RMB29.5 million) on the expansion of the plants and procurement of equipment and intangible assets.

Gearing Ratio

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

	As at June 30, 2023 RMB'000	As at December 31, 2022 RMB'000
Total borrowing	—	—
Total equity	4,716,472	4,637,555
Total capital	4,716,472	4,637,555
Gearing ratio	—	—

Foreign Exchange Risk

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



MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow and Fair Value Interest Rate Risk

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

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

As at June 30, 2023, it was estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would decrease or increase the Group's profit for the Relevant Period by approximately RMB0 (for the six months ended June 30, 2022: RMB0).

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

Credit Risk

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

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

For trade and other receivables and loan receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Most of trade and other receivables balances are due from state-owned enterprises or major customers with good repayment history. Details of the Group's trade and other receivables credit management are also discussed above under the heading of "Trade and Other Receivables".

HUMAN RESOURCES

As at June 30, 2023, the Group had a total of 1,187 employees (December 31, 2022: 1,124 employees). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The Group has designed an evaluation system to assess the performance of its employees. This system forms the basis of our Group's determination on employees' salaries, bonuses and promotions. We believe the salaries and bonuses that the Group's employees receive are competitive with market rates. Under applicable PRC laws and regulations, the Group is subject to social insurance contribution plans, work-related injury insurance and maternity insurance schemes.

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

INTERIM DIVIDEND

In light of the solid financial performance of the Group for the Relevant Period and in appreciation of the shareholders' continuing support, the Board has declared the payment of an interim dividend of HK4.9 cents per share for the six months ended June 30, 2023 (for the six months ended June 30, 2022: nil) to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on October 6, 2023. The abovementioned interim dividend will be payable on October 24, 2023. Such declaration of interim dividend demonstrates the Company's commitment to delivering shareholder returns as well as its optimism about the Group's business prospects.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended June 30, 2023, the register of members of the Company will be closed from October 4, 2023 to October 6, 2023, both days inclusive, and during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, unregistered holders of shares of the Company 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on October 3, 2023.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in the CG Code as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

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



SUPPLEMENTARY INFORMATION

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The Audit Committee (comprising Mr. WANG Xiaogang, Mr. CHEN Geng and Mr. LIN Junshan) has discussed with the management and the external auditor and reviewed the unaudited interim condensed consolidated financial statements of the Group for the Relevant Period.

Auditor

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long position in ordinary Shares

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

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

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

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

* The percentage represents the number of ordinary Shares/underlying Shares interested divided by the number of the Company's issued Shares as at June 30, 2023.

Save as disclosed above and in the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" and to the best knowledge of the Directors, as at June 30, 2023, none of the Directors or the chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUPPLEMENTARY INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at June 30, 2023, the following corporations/persons had interests of 5% or more in the issued Shares according to the register of interests required to be kept by the Company under section 336 of the SFO:

Long position in ordinary Shares

Name	Note	Capacity	Number of ordinary Shares interested	Approximate percentage* of the Company's issued share capital
Cross Mark Limited		Beneficial owner	575,061,863	36.73%
Ms. Yufeng LIU	1	Interest of a controlled corporation	575,061,863	36.73%
Mr. ZHANG Zaixian	2	Interest of spouse	575,061,863	36.73%
Right Faith Holdings Limited		Beneficial owner	393,385,962	25.13%
Mr. Marc CHAN	3	Interest of controlled corporations	408,385,962	26.08%
Fidelity China Special Situations PLC		Beneficial owner	78,471,000	5.01%
FIL Limited	4	Interest of controlled corporations	78,515,000	5.01%
Pandanus Partners L.P.	4	Interest of controlled corporations	78,515,000	5.01%
Pandanus Associates Inc.	4	Interest of controlled corporations	78,515,000	5.01%

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.
- (4) As the Company is aware, FIL Limited was deemed to be interested in 78,515,000 Shares held by its controlled entities/corporations. Pandanus Partners L.P. owned 37.01% of the equity interest in FIL Limited. Pandanus Partners L.P. is wholly owned by Pandanus Associates Inc. Accordingly, Pandanus Partners L.P. and Pandanus Associates Inc. were also deemed to be interested in the aforesaid 78,515,000 Shares.

* The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at June 30, 2023.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2023, no person had registered an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

The Company conditionally approved and adopted the Pre-IPO Share Option Scheme pursuant to the resolutions of the Shareholders passed on 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.

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

Name of option holders	Outstanding as at January 1, 2023	Granted during the Relevant Period	Number of options Exercised			Outstanding as at June 30, 2023
			during the Relevant Period (Note)	Cancelled during the Relevant Period	Lapsed during the Relevant Period	
Director						
Mr. WANG Xiaogang	118,471	—	—	—	—	118,471
Total	118,471	—	—	—	—	118,471

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

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

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

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

SHARE OPTION SCHEME

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 160,000,000 Shares, representing 10% of the total number of issued Shares on the Listing Date, and approximately 10.22% of the total number of issued Shares as at the date of this interim report.

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

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

The Share Option Scheme will remain in force for a period of 10 years from 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 option has been granted under the Share Option Scheme since its adoption and up to the date of this interim report. The number of share options available for grant under the mandate limit of the Share Option Scheme as at January 1, 2023 and June 30, 2023 were 160,000,000.

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.

EVENT AFTER THE REPORTING PERIOD

There are no significant events after the reporting period and up to the date of this interim report.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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TO THE BOARD OF DIRECTORS OF PW MEDTECH GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 22 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2023 of PW Medtech Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “**interim condensed consolidated financial statements**”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

BDO Limited

Certified Public Accountants

Ng Wai Man

Practising Certificate Number P05309
Hong Kong, 31 August 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	5	319,015	214,249
Cost of sales		(142,216)	(93,158)
Gross profit		176,799	121,091
Other gains — net	6	33,544	42,263
Fair value loss on investment properties	14	(201)	(1,292)
Selling and marketing expenses		(39,220)	(35,844)
General and administrative expenses		(59,798)	(45,895)
Research and development expenses		(22,974)	(13,692)
Operating profit		88,150	66,631
Finance income- net	7	20,258	13,163
Profit before income tax	8	108,408	79,794
Income tax expenses	9	(11,535)	(8,309)
Profit for the period		96,873	71,485
Other comprehensive income			
<i>Items that may not be subsequently reclassified to profit or loss:</i>			
Currency translation differences		1,204	49,482
Change in fair value of financial assets at fair value through other comprehensive expenses		(19,160)	(2,993)
Other comprehensive (expenses)/income for the period		(17,956)	46,489
Total comprehensive income for the period		78,917	117,974

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Profit for the period attributable to:			
Owners of the Company		70,976	60,628
Non-controlling interests		25,897	10,857
		96,873	71,485
Total comprehensive income for the period attributable to:			
Owners of the Company		53,020	107,117
Non-controlling interests		25,897	10,857
		78,917	117,974
Earnings per share attributable to owners of the Company for the period (expressed in RMB cents per share)			
Basic earnings per share	10	4.53	3.87
Diluted earnings per share	10	4.53	3.87

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	12	913,063	931,227
Right-of-use assets	13	26,908	27,409
Investment properties	14	298,729	298,092
Intangible assets	15	1,091,449	1,092,448
Goodwill	16	564,085	564,085
Deferred tax assets		22,511	23,015
Long-term prepayments		14,771	9,511
Trade receivables	19	—	6,900
Loan receivables	17	180,000	—
Financial assets at fair value through other comprehensive income	18	72,784	90,329
		3,184,300	3,043,016
Current assets			
Inventories		145,196	132,228
Loan receivables	17	109,619	266,294
Trade and other receivables	19	185,154	160,029
Financial assets at fair value through profit or loss	20	5,300	5,630
Cash and cash equivalents		1,419,978	1,381,917
		1,865,247	1,946,098
Total assets		5,049,547	4,989,114
Liabilities			
Current liabilities			
Trade and other payables	21	116,502	125,682
Lease liabilities		3,291	3,113
Contract liabilities		13,691	12,462
Tax payables		18,469	26,594
		151,953	167,851
Net current assets		1,713,294	1,778,247

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		762	1,128
Deferred tax liabilities		157,047	159,466
Deferred government grants		23,313	23,114
		181,122	183,708
NET ASSETS		4,716,472	4,637,555
Equity			
Share capital	22	962	962
Share premium		1,489,876	1,489,876
Reserves		410,881	428,837
Retained earnings		2,096,524	2,025,548
		3,998,243	3,945,223
Non-controlling interests		718,229	692,332
TOTAL EQUITY		4,716,472	4,637,555

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company							
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (Note 22)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	962	1,489,876	—	428,837	2,025,548	3,945,223	692,332	4,637,555
Comprehensive income								
Profit for the period	—	—	—	—	70,976	70,976	25,897	96,873
Other comprehensive income								
Currency translation differences	—	—	—	1,204	—	1,204	—	1,204
Change in fair value of financial assets at fair value through other comprehensive expenses	—	—	—	(19,160)	—	(19,160)	—	(19,160)
Total comprehensive income	—	—	—	(17,956)	70,976	53,020	25,897	78,917
Balance at 30 June 2023 (unaudited)	962	1,489,876	—	410,881	2,096,524	3,998,243	718,229	4,716,472

	Attributable to owners of the Company							
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (Note 22)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	965	1,492,937	—	378,979	1,919,507	3,792,388	—	3,792,388
Comprehensive income								
Profit for the period	—	—	—	—	60,628	60,628	10,857	71,485
Other comprehensive income								
Currency translation differences	—	—	—	49,482	—	49,482	—	49,482
Change in fair value of financial assets at fair value through other comprehensive expenses	—	—	—	(2,993)	—	(2,993)	—	(2,993)
Total comprehensive income	—	—	—	46,489	60,628	107,117	10,857	117,974
Additions through acquisition	—	—	—	—	—	—	684,615	684,615
Buy-back shares	—	—	(3,036)	—	—	(3,036)	—	(3,036)
Cancellation of shares	(2)	(2,438)	2,440	—	—	—	—	—
	(2)	(2,438)	(596)	—	—	(3,036)	684,615	681,579
Balance at 30 June 2022 (unaudited)	963	1,490,499	(596)	425,468	1,980,135	3,896,469	695,472	4,591,941

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Cash flows from operating activities		
Cash generated from operations	101,238	148,148
Income tax paid	(21,575)	(3,532)
Net cash from operating activities	79,663	144,616
Cash flows from investing activities		
Purchases of property, plant and equipment	(5,140)	(27,317)
Purchases of intangible assets	(17,840)	(2,166)
Proceeds from disposal of financial assets at fair value through profit or loss	11,394	151,051
Purchases of financial assets at fair value through profit or loss	(11,000)	(23,400)
Purchases of financial assets at fair value through other comprehensive income	—	(67,331)
Payments for development costs of construction in progress	(12,439)	(5,283)
Interest received	16,864	13,184
Placement of loan to independent third parties	(513,500)	—
Withdrawal of loan from independent third parties	489,000	—
Net cash outflow arising from acquisition	—	(1,013,779)
Net cash used in investing activities	(42,661)	(975,041)
Cash flows from financing activities		
Repayment of lease liabilities	(826)	(17)
Interest paid on other borrowings	—	(209)
Payment on repurchase of shares	—	(3,036)
Net cash used in financing activities	(826)	(3,262)
Net increase/(decrease) in cash and cash equivalents	36,176	(833,687)
Cash and cash equivalents at beginning of period	1,381,917	2,284,772
Effect of foreign exchange rate changes	1,885	(4,635)
Cash and cash equivalents at end of period	1,419,978	1,446,450



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2023

1. GENERAL

PW Medtech Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 May 2011 as an exempted company with limited liability under the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is the Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 8 November 2013.

The Company is an investment holding company. The Company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in the research and development (“**R&D**”), manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc. (the “**Infusion Set Business**”), hemodialysis and blood purification medical devices (the “**Blood Purification Business**”) and animal-derived regenerative medical biomaterials and human tissue repair alternative products (the “**Regenerative Medical Biomaterials Business**”) in the People’s Republic of China (the “**PRC**”).

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim condensed consolidated financial statements were authorised for issue on 31 August 2023.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2022 annual financial statements, except for those that relate to new standards or amendments effective for the first time for periods beginning on or after 1 January 2023. Details of any changes in accounting policies are set out in note 3. The adoption of the new and revised Hong Kong Financial Reporting Standards (the “**HKFRSs**”) have no material effect on these interim condensed consolidated financial statements.

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

These interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These interim condensed consolidated financial statements contain interim condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2022 annual consolidated financial statements. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2022 annual consolidated financial statements.

2. BASIS OF PREPARATION (Continued)

The interim condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair value.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "**Review of Interim Financial Information Performed by the Independent Auditor of the Entity**", issued by the HKICPA. BDO Limited's independent review report to the Board of directors is included on page 21.

3. CHANGE IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, as described therein.

- HKFRS 17, Insurance Contracts and the related Amendments
- Amendments to HKAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to HKAS 8, Definition of Accounting Estimates
- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to HKAS 12, International tax Reform-Pillar Two Model Rules

The new or amended HKFRSs that are effective from 1 January 2023 did not have any significant impact on the Group's accounting policies.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2022 annual financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2023

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue for the period from continuing operations is as follows:

	For the six months ended 30 June 2023				For the six months ended 30 June 2022							
	Infusion Set Business RMB'000 (unaudited)	Blood Purification Business RMB'000 (unaudited)	Regenerative Medical Biomaterials Business RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)	Infusion Set Business RMB'000 (unaudited)	Blood Purification Business RMB'000 (unaudited)	Regenerative Medical Biomaterials Business RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)				
									Regenerative			
Revenue from contracts with customers within the scope of HKFRS 15												
Revenue from hospitals	16,680	2,365	—	19,045	17,573	913	—	18,486				
Revenue from medical products distributors	115,168	184,802	—	299,970	99,214	96,549	—	195,763				
Total	131,848	187,167	—	319,015	116,787	97,462	—	214,249				
Timing of revenue recognition												
Point in time	131,848	187,167	—	319,015	116,787	97,462	—	214,249				
Over time	—	—	—	—	—	—	—	—				
Total	131,848	187,167	—	319,015	116,787	97,462	—	214,249				
Geographical markets												
Mainland China	131,848	155,843	—	287,691	116,787	95,868	—	212,655				
India	—	10,932	—	10,932	—	1,594	—	1,594				
Others	—	20,392	—	20,392	—	—	—	—				
Total	131,848	187,167	—	319,015	116,787	97,462	—	214,249				

Segment information

Information reported to the chief executive of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on business units. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. The Group has the following operating and reportable segments:

- the "Infusion Set Business" segment represents the R&D, manufacturing and sales of advanced infusion set, intravenous cannula products, insulin needles, etc;
- the "Blood Purification Business" segment represents the R&D, manufacturing and sales of hemodialysis and blood purification medical devices; and
- the "Regenerative Medical Biomaterials Business" segment represents the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products.

5. REVENUE AND SEGMENT INFORMATION (Continued)
(i) Segment revenue and results

Analysis of the Group's segment revenue and results for the six months ended 30 June 2023 and 2022 is as follows:

	Infusion Set Business		Blood Purification Business		Regenerative Medical Biomaterials Business		Consolidated	
	30 June 2023 RMB'000 (unaudited)	30 June 2022 RMB'000 (unaudited)	30 June 2023 RMB'000 (unaudited)	30 June 2022 RMB'000 (unaudited)	30 June 2023 RMB'000 (unaudited)	30 June 2022 RMB'000 (unaudited)	30 June 2023 RMB'000 (unaudited)	30 June 2022 RMB'000 (unaudited)
Segment revenue								
External customers	131,848	116,787	187,167	97,462	—	—	319,015	214,249
Intersegment sales	358	—	—	—	—	—	358	—
Total revenue before elimination							319,373	214,249
Elimination							(358)	—
Total revenue							319,015	214,249
Segment results	52,662	23,679	66,169	29,701	(11,326)	(3,463)	107,505	49,917
Unallocated corporate income							7,813	41,637
Unallocated corporate expense							(6,910)	(11,760)
Profit before income tax							108,408	79,794

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices. Intersegment sales are eliminated on consolidation.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit/(loss) from each segment without allocation of unallocated corporate income and expenses. This is the measure reported to the chief operating decision maker of the Company for the purposes of resource allocation and performance assessment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2023

5. REVENUE AND SEGMENT INFORMATION (Continued)

(ii) Segment assets and liabilities

	Infusion Set Business		Blood Purification Business		Regenerative Medical Biomaterials Business		Consolidated	
	30 June 2023 RMB'000 (unaudited)	30 June 2022 RMB'000 (unaudited)	30 June 2023 RMB'000 (unaudited)	30 June 2022 RMB'000 (unaudited)	30 June 2023 RMB'000 (unaudited)	30 June 2022 RMB'000 (unaudited)	30 June 2023 RMB'000 (unaudited)	30 June 2022 RMB'000 (unaudited)
Segment assets	2,105,865	2,047,990	1,234,566	1,128,274	1,026,319	1,184,205	4,366,750	4,360,469
Deferred tax assets							22,511	24,078
Financial assets at fair value through other comprehensive income							72,784	74,338
Unallocated corporate assets (note a)							587,502	545,175
Consolidated assets							5,049,547	5,004,060
Segment liabilities	76,336	99,058	54,711	43,043	23,827	89,577	154,874	231,678
Tax payable							18,469	16,376
Deferred tax liabilities							157,047	161,394
Unallocated corporate liabilities (note b)							2,685	2,671
Consolidated liabilities							333,075	412,119

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets, financial assets at fair value through other comprehensive income and unallocated corporate assets; and
- all liabilities are allocated to operating segments other than tax payable, deferred tax liabilities and unallocated corporate liabilities.

Notes:

- Unallocated assets mainly represent cash at banks and other receivables in holding company for the both periods.
- Unallocated liabilities mainly represent other payables in holding company for the both periods.

6. OTHER GAINS — NET

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Government grants	13,407	2,807
Rental income	7,519	7,077
Rental management and utility income	7,655	7,347
Loss on guarantee liability (Note)	(364)	(364)
Write-off of other payables	1,978	—
Net foreign exchange gain	2,885	26,776
Others	464	(1,380)
Other gains — net	33,544	42,263

Note:

The guarantee liability mainly related to a joint guarantee liability of the Group's subsidiary, Xuzhou Yijia Medical Device Co., Ltd ("Xuzhou Yijia"). Based on the judgement from the Supreme People's Court of the PRC in 2018, Xuzhou Yijia is liable to the principal of RMB10 million and accumulated interest for a defaulted loan granted by a bank, which Xuzhou Yijia had undertaken a joint guarantee with another independent guarantor.

After assessing the risk relating to the joint guarantee liability, the Directors accrued a provision to guarantee liability which included the principal and accumulated interest of the above loan in 2018. The loss recognised during the period ended 30 June 2023 and 2022 represents the interest accrued for the period on the guarantee liability.

7. FINANCE INCOME — NET

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Finance income		
Bank interest income	12,621	5,545
Interest income on wealth management product	64	375
Loan interest income	7,635	7,264
	20,320	13,184
Finance costs		
Interest expenses on lease liabilities	(62)	(21)
Finance income — net	20,258	13,163

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2023

8. PROFIT BEFORE INCOME TAX

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
(Reversal of)/Provision for impairment losses recognised in respect of trade receivables, net	(4,382)	3,163
Provision for impairment losses recognised in respect of loan receivables	1,175	—
Amortisation of intangible assets	14,603	7,427
Depreciation of property, plant and equipment	34,447	23,398
Depreciation of right-of-use-assets		
— Properties	474	211
— Leasehold land and land use rights	299	478

9. TAXATION

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

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current income tax		
— PRC income tax for the period	(13,450)	(10,412)
Deferred income tax	1,915	2,103
Income tax expenses	(11,535)	(8,309)

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

(a) Cayman Islands profits tax

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

(b) Hong Kong profits tax

Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and 16.5% on the estimated assessable profits above HK\$2 million. No provision for taxation in Hong Kong was made in the financial statements for the current period as the Group's operations in HK had no assessable profits.

9. TAXATION (Continued)**(c) PRC corporate income tax (the "CIT")**

Under the Law of the PRC on CIT (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2022: 25%).

Four subsidiaries of the Group have been qualified as "High and New Technology Enterprises" under the CIT Law. Therefore, they were entitled to a preferential income tax rate of 15% on their estimated assessable profits during the period. 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.

Besides, according to the Notice on Implementing the Policy of Inclusive Tax Relief for Small and Micro Enterprises ("SMEs"), released by the Ministry of Finance on January 2021, qualified SMEs with annual taxable income below RMB1 million per year are entitled to a preferential EIT rate of 10% on 25% of their income. Whereas, qualified SMEs with taxable income from RMB1 to 3 million are entitled to a preferential EIT rate of 10% on 50% of their income, four of the subsidiaries is entitled to the preferential tax rate for the period ended 30 June 2023.

(d) Withholding tax ("WHT")

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

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

10. EARNINGS PER SHARE**(a) Basic**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period ended 30 June 2023.

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit attributable to owners of the Company	70,976	60,628
Weighted average number of ordinary shares in issue (thousands)	1,565,632	1,566,686
Basic earnings per share (RMB cents per share)	4.53	3.87

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2023

10. EARNINGS PER SHARE (Continued)

(b) Diluted

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

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

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit attributable to owners of the Company	70,976	60,628
Weighted average number of ordinary shares in issue (thousands)	1,565,632	1,566,686
Adjustments for:		
— Share options (thousands)	—	24
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,565,632	1,566,710
Diluted earnings per share (RMB cents per share)	4.53	3.87

11. DIVIDENDS

The Board of Directors declared 2023 interim dividend of HK4.9 cents per ordinary share to the shareholders totaling approximately HK\$76,716,000 (six months ended 30 June 2022: nil).

12. PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
At beginning of period/year	931,227	609,612
Addition through the acquisition of subsidiaries (note 25)	—	324,765
Additions	16,555	52,461
Disposals	(272)	(122)
Depreciation	(34,447)	(55,489)
At end of period/year	913,063	931,227

During the Period, the Group acquired property, plant and equipment of approximately RMB16,555,000 (six months ended 30 June 2022: RMB27,317,000) and disposed property, plant and equipment of approximately RMB272,000 during the period (six months ended 30 June 2022: RMB60,000).

13. RIGHT-OF-USE ASSETS

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

	Properties RMB'000	Leasehold land and land use rights RMB'000	Total RMB'000
At 1 January 2022	—	18,124	18,124
Addition through the acquisition of subsidiaries (note 25)	1,540	8,214	9,754
Addition	786	—	786
Depreciation for the year	(688)	(567)	(1,255)
At 31 December 2022 (Audited) and 1 January 2023	1,638	25,771	27,409
Addition	272	—	272
Depreciation for the period	(474)	(299)	(773)
At 30 June 2023 (Unaudited)	1,436	25,472	26,908

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2023

14. INVESTMENT PROPERTIES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
FAIR VALUE		
At beginning of period/year	298,092	298,342
Addition	838	—
Change in fair value	(201)	(250)
At end of period/year	298,729	298,092

During the six months period 30 June 2023, the Group collected a property with carrying value of approximately RMB838,000 from the settlement of trade receivable which located at No. 1-6-2, Block 30, Dongcheng Garden, Dalian Economic Technology Development Zone, Dalian, with a construction area of approximately 213.08 square meters.

The balance represented:

- office premises are located at No. 23 Panlong West Road, Pinggu District, Beijing, with a construction area of approximately 39,714.5 square meters held by the Group under medium term lease in the PRC;
- a factory is located at No. 369, Xinhua Road, High-tech Zone, Shandong, with a construction area of approximately 25,542.28 square meters held by the Group under medium term lease in the PRC; and
- a residence is located at No. 1-6-2, Block 30, Dongcheng Garden, Dalian Economic Technology Development Zone, Dalian, with a construction area of approximately 213.08 square meters held by the Group under medium term lease in the PRC.

The Group's property interest held to earn rentals is measured using the fair value model and is classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 30 June 2023 was approximately RMB298,729,000 (31 December 2022: RMB298,092,000).

14. INVESTMENT PROPERTIES (Continued)

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

	As at 30 June 2023	As at 31 December 2022
Occupancy rate	50.0% to 90%	50.0% to 90%
Rental growth rate	3.0%	3.0%
Discount rate	6.0%	6.0%

The fair value of the investment property at 30 June 2023 and 31 December 2022 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the period.

A significant increase/decrease in the rental value in isolation would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the discount rate and capitalisation rate in isolation would result in a significant decrease/increase in the fair value of the investment properties. Generally, a change in the assumption made for the rental value is accompanied by a directionally similar change in the rent growth per annum.

In addition, as a result of the increased uncertainty, significant judgement is required when evaluating the inputs used in the fair value estimate. Reasonably possible changes at the reporting date to any of the relevant assumptions would have affected the fair value of the investment property as presented below:

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Discount rate increased by 1%	(41,338)	(41,292)
Expected occupancy rate decreased by 3%	(10,726)	(12,842)
Rental growth rate decreased by 0.5%	(26,705)	(2,322)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2023

15. INTANGIBLE ASSETS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
At beginning of period/year	1,092,448	13,929
Addition through the acquisition of subsidiaries (note 25)	—	1,102,364
Additions	13,604	9,397
Write-off	—	(11,400)
Amortisation charge	(14,603)	(21,842)
At end of period/year	1,091,449	1,092,448

16. GOODWILL

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Carrying amount		
At beginning of period/year	564,085	160,754
Addition through the acquisition of subsidiaries (note 25)	—	403,331
At end of period/year	564,085	564,085

Goodwill was acquired through business combinations and it is related to the Infusion Set Business, Blood Purification Business and Regenerative Medical Biomaterials Business. Goodwill is monitored by the management at the operating segment level.

The management is in the opinion that the Infusion Set Business and Blood Purification Business have operating profit during the period. As at 30 June 2023, management determines that there is no impairment on goodwill.

As at 30 June 2023, management has conducted impairment review on the goodwill of Regenerative Medical Biomaterials Business in accordance with HKAS 36 "Impairment of assets" due to operating loss incurred during the period.

16. GOODWILL (Continued)

The carrying amount of goodwill is allocated to the cash generating units (CGUs) as follows:

	Goodwill carrying amount	
	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Infusion Set Business	160,754	160,754
Blood Purification Business	323,540	323,540
Regenerative Medical Biomaterials Business	79,791	79,791
	564,085	564,085

Impairment assessment of Regenerative Medical Biomaterials Business

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

The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a ten-year period. The Regenerative Medical Biomaterials Business had not put into production at 30 June 2023, and the management expected it might take one or two years to launch the new products on the market, followed by several years of significant growth. Accordingly, the forecast was estimated by reference to the product life cycles of medical products, instead of the presumed five-year period which is generally applied on the business at steady state. Management engaged an independent external valuer to assist in performing the impairment assessments. Based on management's calculation, the recoverable amount of the Regenerative Medical Biomaterials Business as at 30 June 2023 amounted to approximately RMB1,367 million (31 December 2022: RMB1,399 million), which was 35% (31 December 2022: 39%) higher than its carrying amount. Key assumptions used to determine the CGUs' value-in-use were as follows:

	Value assigned to key assumption		Approach to determining key assumption
	30 June 2023	31 December 2022	
Revenue	10.0%–117.0%	8.0%–170.0%	Forecasted revenue growth rates and gross profit margin were determined based on industry research and financial forecast on Oral Cavity Repair Membrane, Breast Patch and Hernia Patch.
Gross profit margin	65.0%–93.0%	65.0%–93.0%	
Long-term growth rate	1%	1%	Estimated based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry in the PRC.
Discount rate	15.24%	14.99%	Reflect specific risks relating to the relevant segment and the country in which the Regenerative Medical Biomaterials Business operates.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2023

16. GOODWILL (Continued)

Impact of possible changes in key assumptions

If the compound revenue growth rates used in the value-in-use calculation for Regenerative Medical Biomaterials Business had been 8% lower than management's estimates at 30 June 2023 (2%–109% instead of 10%–117%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

If the gross margins used in the value-in-use calculation for Regenerative Medical Biomaterials Business had been 7% lower than management's estimates at 30 June 2023 (58%–86% instead of 65%–93%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

If the pre-tax discount rate applied to the cash flow projections of Regenerative Medical Biomaterials Business had been 2.85% higher than management's estimates (18.09% instead of 15.24%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

Management believes that any reasonably possible change in any of these assumption would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. As at 30 June 2023, management determines that there is no impairment on goodwill.

Based on above assessment, management of the Company are of the view that there is no impairment of goodwill for the Regenerative Medical Biomaterials Business as at 30 June 2023.

17. LOAN RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Fixed-rate loan receivables	295,500	271,000
Less: allowance for impairment losses	(5,881)	(4,706)
	289,619	266,294
Analysed as:		
Current	109,619	266,294
Non-current	180,000	—
	289,619	266,294

On 12 April 2021, a loan advance with principal of RMB180,000,000 was granted to Beijing Tianxia Pule Medical Investment Co., Ltd. ("Tianxia Pule"), which is a third party independent of the Company. The loan is interest bearing at 5.5% per annum. The interest is repayable on a half-yearly basis and the outstanding principal amount was repaid by the borrower in full on 11 April 2023.

17. LOAN RECEIVABLES (Continued)

On 20 April 2023, another loan advance with principal of RMB180,000,000 was granted to Tianxia Pule. The loan is interest bearing at 5.3% per annum. The interest is repayable on a half-yearly basis and the outstanding principal amount in full on 19 April 2026. It is considered to be low risk as the loans are collateralised by the real properties owned by the borrower located in Beijing with fair value amounted RMB255,190,000 and therefore the impairment provision is determined as 12 months expected credit losses. As at 30 June 2023 and 31 December 2022, the management assess that the effect of applying the expected credit risk model on loan receivable was immaterial.

As at 30 June 2023, a loan advanced to an independent third party of RMB30,000,000, carried a fixed rate 5.15% per annum for short-term financing needs of the borrower. The loan was unsecured and repayable on 20 July 2023. The loan was fully settled in July 2023.

As at 30 June 2023, a loan advanced to an independent third party of RMB43,500,000, carried a fixed rate 5.15% per annum for short-term financing needs of the borrower. The loan was unsecured and repayable on 4 August 2023. The loan was fully settled in July 2023.

As at 30 June 2023, a loan advanced to an independent third party of RMB42,000,000, carried a fixed rate 5.18% per annum for short-term financing needs of the borrower. The loan was unsecured and repayable on 9 August 2023. The loan was fully settled in August 2023.

As at 30 June 2023, in determining the expected credit losses for these assets on an individual basis, the Directors have taken into account the financial position of the counterparties, considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The Group measures the loss allowance for the loan receivables of approximately RMB5,881,000 (31 December 2022: RMB4,706,000) at an amount equal to 12-month expected credit losses ("ECL").

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income include the following:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current asset		
Unlisted investment fund (note a)	18,084	19,002
Listed equity securities (note b)	54,700	71,327
	72,784	90,329

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2023

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Note:

- (a) On 15 May 2021, the Company's wholly owned subsidiary, PW Medtech (Beijing) Limited entered into a Limited Partnership Agreement to subscribe for the interests in the Fenyi Haoda Investment Partnership (Limited Partnership) (分宜昊達投資合夥企業(有限合夥)) ("Fenyi Haoda"), as a limited partner, in the total amount of RMB20,000,000 of Fenyi Haoda. The underlying assets of the Fenyi Haoda represent a private equity fund of investing into medical industry.

This Fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in companies and/or its affiliates which is/are engaged in the research and development and sales of medical devices. The Group is a limited partner in this Fund and does not have control nor significant influence in the Fund's operational and financing decisions.

The Directors have determined the fair value of the remaining interest held in the Fund as at 30 June 2023 with reference to the valuation report issued by Flagship Appraisals and Consulting Limited, an independent professional valuer who has professional qualifications and relevant experience. The fair value of the Fund is determined by market approach, with references to comparable companies benchmark multiples.

- (b) On 23 February 2022, the Group has subscribed for 10,866,000 shares of Lepu Biopharma Co., Ltd. ("Lepu") at approximately RMB67,331,000.

These were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The fair values of the listed equity securities investments were determined based on the quoted market closing prices on the Stock Exchange. No dividends were received on this investment nor disposal of investment was made during the period ended 30 June 2023 and 2022.

- (c) The detail of the valuation methodology on financial assets at fair value through other comprehensive income is disclosed in note 26.

The movements of financial assets at fair value through other comprehensive income during each of the period/year are as follows:

	Unlisted investment fund RMB'000	Listed equity securities RMB'000
At 1 January 2022	10,000	—
Additions	10,000	69,871
Change in fair value through other comprehensive income	(998)	1,456
At 31 December 2022 (Audited) and 1 January 2023	19,002	71,327
Change in fair value through in other comprehensive income	(918)	(18,242)
Exchange reserve	—	1,615
At 30 June 2023 (Unaudited)	18,084	54,700

19. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables (note i)	80,245	79,015
Bills receivable (note ii)	286	374
Prepayments and deposits	25,857	19,756
Value added tax recoverable	17,247	17,830
Other receivables	27,678	27,441
Interest receivables	9,208	5,752
Amount due from a related party (note iii)	24,633	16,761
	185,154	166,929
Trade receivables — non-current	—	(6,900)
	185,154	160,029

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Up to 3 months	32,302	26,423
3 months to 6 months	11,337	17,420
6 months to 12 months	10,706	14,393
1 year to 2 years	13,160	10,758
2 years to 3 years	12,740	10,021
	80,245	79,015

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

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

- (ii) The ageing of bills receivable is within 180 days, which is within the credit term.
- (iii) The amount due from a related party is interest-free, unsecured and repayable on demand.

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For the period ended 30 June 2023

19. TRADE AND OTHER RECEIVABLES (Continued)

(iv) Impairment assessment

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicated significantly different loss patterns for different customer segments, the grouping for trade receivables for the assessment of ECLs is by customer segments, while Group C represents distributor customers who identified as having significant increase in risk of default and Group D represents three credit-impaired customers with significant risk of default.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

30 June 2023	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	6.68	2.14	74.46	36.13
Gross carrying amount	27,978	29,126	7,546	37,116
Loss allowance	1,869	623	5,619	13,410

31 December 2022	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	4.60	1.62	90.14	39.99
Gross carrying amount	27,193	28,602	9,060	40,063
Loss allowance	1,251	464	8,167	16,021

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

	RMB'000
At 1 January 2022	32,405
Write-off	(3,530)
Provision of impairment losses through acquisition of subsidiaries	43
Reversal of impairment losses recognised during the year	(3,015)
At 31 December 2022 (Audited) and 1 January 2023	25,903
Reversal of impairment losses recognised during the period	(4,382)
At 30 June 2023 (Unaudited)	21,521

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Wealth management products — non-principal protected	5,300	5,630

The amount included a wealth management product issued by a bank in the PRC. The product is not redeemable on demand and not principal protected. The return of the product is determined by the performance of the underlying investments which are mainly debt instruments.

The detail of the valuation methodology on financial assets at fair value through profit or loss is disclosed in note 26.

The movements of financial assets at fair value through profit or loss during each of the period/year are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
At beginning of period/year	5,630	127,001
Addition through the acquisition of subsidiaries (note 25)	—	7,330
Addition	11,000	17,400
Disposal	(11,394)	(152,781)
Change in fair value recognised in profit or loss	64	6,680
At end of period/year	5,300	5,630

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For the period ended 30 June 2023

21. TRADE AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables	35,954	27,844
Salary and staff welfare payables	28,843	30,861
Advances from customers	5,717	7,768
Deposits received	5,812	4,235
Value added tax and other taxes	5,672	17,954
Professional service fee	3,601	6,756
Provision for loss from guarantee liability (Note 6)	21,576	21,211
Deferred government grants-current portion	1,049	1,132
Other payables	8,278	7,921
	116,502	125,682

As at 30 June 2023 and 31 December 2022, except for the advances from customers, deposit received, value added tax and other taxes and deferred government grants which are not financial liabilities, all trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Up to 6 months	19,625	13,796
6 months to 12 months	3,021	1,928
Over 1 year	1,898	2,343
2 years to 3 years	8,058	6,760
Over 3 years	3,352	3,017
	35,954	27,844

22. SHARE CAPITAL

	Number of ordinary shares	Share capital RMB'000
Issued and fully paid:		
At 1 January 2022	1,569,246,098	965
Cancellation of shares	(3,614,000)	(3)
At 31 December 2022 and 30 June 2023	1,565,632,098	962

During the year ended 31 December 2022, the Company acquired and cancelled 3,614,000 shares of its own ordinary shares purchases on the Stock Exchange. The total amount paid to acquire the shares was approximately RMB3,036,000. No ordinary shares were repurchased or cancelled during the period ended 30 June 2023.

23. CAPITAL COMMITMENTS

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Commitments for the: Acquisition of property, plant and equipment	30,708	35,571

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2023

24. RELATED PARTY DISCLOSURES

- (a) During the period, the Group had the following material related party transactions:

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Related party transactions		
Sales to related parties	12,056	1,178
Purchase from related parties	1,016	—

- (b) As at 30 June 2023, due from a related party included a balance of RMB24,633,000 (31 December 2022: 16,761,000).

(c) Compensation of key management personnel

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

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Salaries and other allowances	2,826	2,568

25. BUSINESS COMBINATION**(a) Acquisition of 51% equity interest in Sichuan Ruijian Medical Technology Co. Ltd. (“四川睿健醫療科技股份有限公司”) (“Sichuan Ruijian Medical”)**

On 30 November 2021, Medcore Investment Limited (“**Medcore Investment**”), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with certain independent third parties, pursuant to which the Medcore Investment agreed to acquire the 51% equity interest of Sichuan Ruijian Medical at an aggregate cash consideration of US\$100,381,796 (equivalent to approximately RMB673,702,000). The acquisition was completed on 28 February 2022. Sichuan Ruijian Medical is a medical device company, principally engaged in the R&D, manufacturing and sales of hemodialysis and blood purification medical devices in the PRC.

Recognised amounts of identifiable assets acquired and liabilities assumed at 28 February 2022, the date of acquisition, were as follows:

	RMB'000
Property, plant and equipment	321,277
Right-of-use assets	8,428
Intangible assets	246,987
Inventories	91,317
Trade and other receivables	13,761
Amount due from a related party	13,361
Cash and cash equivalents	72,341
Trade and other payables	(27,453)
Contract liabilities	(2,274)
Tax payable	(3,523)
Lease liabilities	(218)
Deferred revenue	(5,841)
Deferred tax liabilities	(41,570)
Total identifiable net assets	686,593
Non-controlling interests	(336,431)
Goodwill	323,540
Total consideration satisfied by:	
Cash	673,702
Acquisition-related costs (included in administrative expenses)	3,917

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2023

25. BUSINESS COMBINATION (Continued)

(a) Acquisition of 51% equity interest in Sichuan Ruijian Medical Technology Co. Ltd. (“四川睿健醫療科技股份有限公司”) (“Sichuan Ruijian Medical”) (Continued)

Cashflow movement in relation to acquisition during the period ended 30 June 2022:

	RMB'000
Cash consideration paid	(673,702)
Cash at bank acquired	72,341
Net cash outflow on acquisition	(601,361)

Since the acquisition, the Sichuan Ruijian Medical contributed revenue of RMB97,462,000 and net profit after tax of approximately RMB24,784,000 to the Group for the period ended 30 June 2022.

(b) Acquisition of 58.2% equity interest in Beijing Ruijian High-Tech Biological Technology Co., Ltd (“北京瑞健高科技生物有限公司”) (“Beijing Ruijian Biological”)

On 5 January 2022, Medfusion Investment Limited (“**Medfusion Investment**”), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with certain independent third parties, pursuant to which the Medfusion Investment agreed to acquire 51.5% of equity interest of Beijing Ruijian Biological at an aggregate cash consideration of RMB412,000,000.

On the same day, Medfusion Investment, certain independent third parties and Beijing Ruijian Biological entered into the share subscription agreement, pursuant to which the Medfusion Investment and certain independent third parties agreed to subscribe for, and the Beijing Ruijian Biological agreed to issue, 17% enlarged issued share capital of the Beijing Ruijian Biological at the aggregate cash consideration of RMB170,000,000, approximately RMB3,415,180 of which will be accounted for by the Beijing Ruijian Biological as registered capital and approximately RMB166,584,820 of which will be accounted for by the Beijing Ruijian Biological as capital reserve. Pursuant to the share subscription agreement, the certain independent third parties agreed to subscribe for, and the Beijing Ruijian Biological agreed to issue, 3% enlarged issued share capital of the Beijing Ruijian Biological at the cash consideration of RMB30,000,000. The completion of the share transfer and the share subscription is inter-conditional. Upon completion of the share transfer and the share subscription, the Group will own 58.2% equity interest in the Beijing Ruijian Biological through the purchaser and the Beijing Ruijian Biological will become a non-wholly owned subsidiary of the Group.

The acquisition was completed on 29 April 2022. Beijing Ruijian Biological is a biotechnology company, principally engaged in the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products in the PRC.

25. BUSINESS COMBINATION (Continued)**(b) Acquisition of 58.2% equity interest in Beijing Ruijian High-Tech Biological Technology Co., Ltd (“北京瑞健高科生物科技有限公司”) (“Beijing Ruijian Biological”) (Continued)**

Details of the acquisition are summarised as follows:

Recognised amounts of identifiable assets acquired and liabilities assumed at 29 April 2022, the date of acquisition, were as follows:

	RMB'000 (Unaudited)
Plant and equipment	3,488
Right-of-use assets	1,326
Intangible assets	855,377
Inventories	2,277
Trade and other receivables	2,006
Financial assets at fair value through profit or loss	7,330
Cash and cash equivalents	170,114
Trade and other payables	(650)
Other borrowings	(83,019)
Lease liabilities	(1,412)
Deferred revenue	(4,000)
Deferred tax liabilities	(119,021)
Total identifiable net assets	833,816
Non-controlling interests	(331,075)
Goodwill	79,791
Total consideration satisfied by:	
Cash	582,532
Acquisition-related costs (included in administrative expenses)	4,801

Cashflow movement in relation to acquisition during the period ended 30 June 2022:

	RMB'000
Cash consideration paid	(582,532)
Cash at bank acquired	170,114
Net cash outflow on acquisition	(412,418)

Since the acquisition, the Beijing Ruijian Biological contributed nil revenue and net loss after income tax of approximately RMB3,463,000 to the Group for the period ended 30 June 2022.

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25. BUSINESS COMBINATION (Continued)

- (c) Had all the combination taken place at the beginning of the period ended 30 June 2022, the revenue and the profit after income tax of the Group for the period would have been approximately RMB261,061,000 and RMB73,821,000, respectively.

26. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Financial assets		
— at amortised cost	1,851,647	1,777,554
— at fair value through profit or loss	5,300	5,630
— at fair value through other comprehensive income	72,784	90,329
	1,929,731	1,873,513
Financial liabilities		
Financial liabilities at amortised cost	102,305	98,834

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

- the fair value of investments held for trading with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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

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

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

26. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Description	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Financial assets at fair value through profit or loss					
— Wealth management product	5,300	5,630	Level 3	Quoted prices from financial institutions	Expected rate of return ranging from 2.10%–2.59% (31 December 2022: 1.22%–2.98%)
Financial assets at fair value through other comprehensive income					
— Unlisted investment fund	18,084	19,002	Level 3	Valuations making reference to market capitalisations of comparable companies engaged in the same industry	Selection of comparable companies and weighting of the selected companies used in valuation
— Listed equity securities	54,700	71,327	Level 1	Quoted market prices	N/A

For the financial assets at fair value through profit or loss, it consisted of wealth management products as detailed in Note 20.

These instruments represent bank wealth management products, measured at fair value through profit or loss. These instruments are not traded in an active market and do not have observable market data. The fair value of the unlisted investment is based on quote provided by the financial institution. The fair value is within level 3 of the fair value hierarchy.

For the financial assets at fair value through other comprehensive income, it consisted of unlisted investment fund and listed equity securities as detailed in Note 18.



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26. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY **(Continued)**

The fair value of unlisted investment fund is arrived at based on a valuation carried out by Flagship Appraisals and Consulting Limited, an independent valuer not connected to the Group. The fair value was determined based on market approach, where fair value estimated with references to comparable companies' benchmark multiples.

The fair value of listed equity securities investments was determined based on the quoted market closing prices on the Stock Exchange.

27. EVENT AFTER REPORTING PERIOD

Except as disclosed elsewhere in the interim condensed consolidated financial statements, no significant event took place subsequent to 30 June 2023.