PW MEDTECH GROUP LIMITED
普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

KEY FINANCIALS

- Revenue for the year ended December 31, 2020 amounted to approximately RMB247.4 million, representing a decrease of 31.7% from approximately RMB362.2 million recorded in 2019.
- Gross profit for the year ended December 31, 2020 amounted to approximately RMB148.6 million, representing a decrease of 33.1% from approximately RMB222.1 million recorded in 2019.
- Profit attributable to owners of the Company for the year ended December 31, 2020 amounted to approximately RMB631.8 million, representing an increase of 670.7% from approximately RMB82.0 million recorded in 2019.
- Basic earnings per share and diluted earnings per share in 2020 were RMB40.26 cents and RMB40.26 cents (2019: RMB5.22 cents and RMB5.22 cents), respectively, representing an increase of 671.3% and 671.3% from 2019 respectively.

MARKET AND BUSINESS REVIEW

In 2020, despite the daunting challenges arising from the COVID-19 pandemic as well as complicated domestic and overseas environment, the economy in China gradually recovered from the unprecedented impact of the pandemic, showing restorative growth and the momentum of steady economic recovery. However, certain economic indicators which remained in decline and losses caused by the pandemic are yet to be compensated.

In the first half of the year, severely impacted by the pandemic, residents across China reduced outdoor activities and the overall medical demand dropped sharply due to the partial suspension of public transport system, stringent community management and inter-region travel restrictions during the pandemic. In the first quarter of 2020, according to the statistics from the National Health Commission, the number of persons receiving medical consultation and treatment in medical and health institutions in China recorded a huge decline. From January to March 2020, the total number of persons receiving medical consultation and treatment in medical and health institutions in China only amounted to 1.48 billion. In the second half of 2020, despite the gradual recovery in the medical industry, medical device markets such as infusion set segment market were still under a huge pressure. In addition, due to the recurring pandemic in certain regions, such as Beijing and Heilongjiang, the core business segment of PW Medtech Group Limited (the "**Company**" or "**PW Medtech**") and its subsidiaries (the "**Group**") were still faced with immense pressure.

For the year ended December 31, 2020, the Group's revenue was RMB247.4 million, representing a decrease of 31.7% from 2019. The Group recorded a gross profit of RMB148.6 million, representing a decrease of 33.1% from 2019. The overall gross profit margin for the period was 60.1%. The operating profit attributable to owners of the Company amounted to RMB631.8 million, representing an increase of 670.7% over the same period of last year.

The decrease in the Group's revenue during the year was mainly due to the decline in the number of persons receiving medical consultation in certain regions in the first half of 2020, especially a significant decline in hospital traffic and in daily medical consultation demand in the major sale areas of the Group's research and development, manufacturing and sale of advanced infusion set products and intravenous cannula products, such as Beijing, Hubei Province and Heilongjiang Province and hence a significant decrease in the Group's revenue. In the second half of the year, as residents gradually resumed outdoor activities and medical demand slowly rebounded, the decline in the Group's operating revenue gradually diminished.

In comparison, as the impact of the pandemic on the sale areas of the Group's intravenous cannula business was relatively limited, the revenue of intravenous cannula business remained relatively stable. The Group's intravenous cannula business is currently in the mature development stage and its research and development is still ongoing, with vast room for growth in the future. Meanwhile, with backlog orders of intravenous cannula business secured in 2020, it is expected that the revenue of the Group's intravenous cannula business in the future will be on a positive growth trend. In 2020, the financial position and cash flow of the Group have remained stable and sound.

Under the current condition of normalized pandemic prevention and control and trade frictions, the medical device industry still possesses huge development potential. The government has promulgated a series of policies to effectively accelerate the rapid development of the medical device industry in China. In 2020, benefited from the industry growth potential arising from the strengthening of weaknesses in the public health system, the government launched negotiation on medical insurance reimbursement basis and centralized procurement regime, which could not only further increase the market penetration of medical device products, but also facilitate the acceleration of the industry concentration towards enterprises with economics of scale, well-developed technology and strong innovation capability. So that quality domestic devices will replace imported products, thereby increasing industry concentration. Such regimes have brought enormous development prospects to quality domestic medical devices with high cost-effectiveness. However, centralized procurement regime can cause significant price reduction of industrial products which can also affect sales price and has brought about numerous challenges to the Group. With a profound knowledge of and active response to the new norm of medical industry, the Group adjusted bidding strategies on a case-by-case basis and has achieved encouraging results. In 2020, the Group's infusion set products successfully won the bid in six different regions including Fujian province, Henan province and Beijing. In addition, with the strategic approach of "low cost, high quality" adopted at the beginning of the year, the Group conducted holistic corporate review ranging from daily management to corporate strategy levels, launched various innovation proposals and measures and implemented them effectively on an ongoing basis. The automation improvement in product equipment was in a smooth progress. In response to the changes of products and market, the Group has also optimized its organizational structures and shortened decision-making processes and thus increased management efficiency.

Under the current condition of normalized pandemic prevention and control, the Group has been closely monitoring the market conditions and seizing the policy benefits to adjust its business strategies when appropriate so as to mitigate the negative impact.

The Group also strived to optimize resource allocation to maximize the corporate value. Pursuant to the share purchase agreement entered into between the Company and Beachhead Holdings Limited in September 2019 and subsequent amendments to certain share agreements in 2020, the Company completed its disposal of one million China Biological Product Holdings Inc. ("**CBPO**") shares to Beachhead Holdings Limited in 2020, with an adjusted total consideration of US$120 million. Subsequently, the Company entered into three share purchase agreements with independent third parties in October 2020 to dispose all the remaining 5.321 million CBPO shares held by it at US$120 per share. The closing of the above transactions took place on December 30, 2020 and January 6, 2021, respectively. The total proceeds from the disposal were US$638.52 million. Half of the gross proceeds from the disposal was used for distributing special dividend to the shareholders of the Company (the "**Shareholders**") and the remaining half was reserved as corporate funds which was intended to be mainly used to satisfy the needs for future corporate strategic development.

As a leader in China's medical device industry, PW Medtech has been focusing on China's fast-growing and high-margin medical device market and actively promotes industrial upgrade, enhances its product innovation and research and development ("**R&D**") capabilities, and expands production capacities portfolio. The Group will also upgrade quality control of its own products and continue to expand products' R&D, with a view to enhancing its own strengths and actively providing strong support for the industry.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

In early 2020, it was proposed at the conference of the Politburo of the Chinese Communist Party to step up efforts in the support of R&D in reagents, drugs and vaccines to promote the development of, among others, biopharmaceutical industry and medical equipment industry, providing a sound social and political environment for the rapid development of the medical device industry. As the internal momentum of the innovation and R&D by medical device manufacturing enterprises significantly increases, innovative medical device products will emerge at a faster pace and medical device is becoming a national strategic emerging industry. According to Next Golden Decade — White Book on Medical Industry in China (《下一個黃金十年—中國醫療產業白皮書》), due to the COVID-19 pandemic, there will be a boom in demand for strengthening the weaknesses in the medical industry, which will be an unprecedented opportunity for medical devices. Overall, medical device industry is in its golden era of development.

In 2021, the first year of the 14th Five-year Plan, with strong economic resilience and development vitality, China's economy is expected to show a positive development trend. With the resumption of normal medical services and the relaxation of relevant domestic travel restrictions, the residents' medical consultation demand will gradually rebound. The recovery of medical demand will effectively boost the demand for products of medical device market segment.

The Group will continue to leverage its leading position in the medical device industry of China. In addition to its main businesses of infusion set and intravenous cannula, the Group will continue to expand its business in the diabetes therapy sector and actively facilitate the marketing and promotion of insulin injection needles and pens, as well as continue the R&D and expansion of the medical devices in other therapy sectors to diversify the Group's revenue sources, create business synergies and further optimize its business coverage. As of December 31, 2020, the Group had obtained 35 registration certificates for products, covering, among others, infusion set, intravenous cannula, intestinal feeding device, insulin injection pen, insulin injection needle and blood transfusion set.

The Group will make essential contribution to the safety and effectiveness of medical devices proactively and continuously optimize business coverage to enhance its competitive strengths.

Emphasis on Innovation and R&D

As an industry leader in the development of innovative products, the Group has an R&D team consisting of experienced members. The team closely cooperates with surgeons, hospitals (especially Class III Grade A hospitals), first class university research centers and other research institutions. In 2020, the R&D team streamlined and upgraded the standardized R&D process management in a comprehensive manner and continued to optimize its work flow in, among others, product inception, model inspection, clinical trial and registration to further enhance R&D efficiency under standardized inspection system.

In 2020, the Group not only expanded its business presence in the dialysis sector, but also invested significant funds in the R&D of diabetes, in addition to stepping up its effort in R&D of the original product lines, including infusion set and cannula, with a view to facilitating the expansion and further R&D of new products in such sector.

As of December 31, 2020, the Group had owned 95 patents for products and the Group had applied for 29 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", the Group will focus on the safety and effectiveness as well as R&D and innovation of medical devices so as to enhance the Group's overall competitiveness in the industry.

Expansion of Distribution Network

The Group has an experienced, strong and dedicated team of professional sales and marketing staff to support and consolidate its distribution networks in 31 provinces, municipalities and autonomous regions in China, and enhance the promotion of products from all business segments. The Group continued to optimize its sales channels and expand its distribution network, actively promoted the Company's strategic product layout in centralized procurement market and non-centralized procurement market, closely monitored national medical policies so as to timely and flexibly adjust the bidding strategies. Meanwhile, through multi-channel and multi-sector expansion of sales network in hospitals in key provinces, the Group strived to promote business development and expand network layout.

The Group's core salesmen have an average of ten years of experience in their respective fields. Nearly half of our sales and marketing team have medical education backgrounds, which enables them to communicate with doctors and nurses in a professional and effective manner. In 2020, following the principle of "being simple and effective", the Group optimized its organizational structure of sales department, shifting its core philosophy from being product-oriented to customer-oriented. Focusing on market and customers' needs, the Group strived to provide quality products and services. The Group combined and optimized the regional business of the sales department to reduce organizational costs, thereby realizing more effective and convenient decision-making processes and increasing working efficiency within the organization.

Strategic Acquisitions

The unexpected pandemic in 2020 has brought profound changes to the medical device industry. As people become more health conscious and pay more and more attention to diseases, it is expected that more medical enterprises will strengthen their R&D and manufacturing efforts in innovative drugs and medical devices. As stated in the Blue Book of Medical Device Industry: Annual Report on the Development of Medical Device Industry in China (2020), the medical device industry in China will still be in the golden era. The Group will promptly seize the strategic development opportunities in the medical device industry and make full use of sufficient funds generated from the successful exit of previous strategic acquisitions and actively carry out strategic layout projects through various means. Among the cash consideration received from the Group's disposal of CBPO shares in 2020 and 2021, nearly US$310 million could be used for, among others, capital expenditure, long-term future investment and merger and acquisition ("**M&A**") opportunities in medical and related industries. The Group will continue to seek opportunities with high-growth, high-profit margin and immense growth potential within its existing business segments and other medical sectors in a proactive manner. Guided by the overall strategy, the Group will launch forward-looking and sustainable M&A and investments and seek targets with synergy for investment and M&A. Through various investment means such as acquisitions and mergers, the Group strives to realize satisfactory investment return and optimization of resource allocation and expand business footprint with a view to increasing its strategic presence in the medical device industry in China.

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the audited consolidated final results of the Group for the year ended December 31, 2020, together with the comparative figures for the year ended December 31, 2019, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*4(b)*	**247,352**	362,183
Cost of sales		**(98,748)**	(140,056)
Gross profit		**148,604**	222,127
Other losses — net	*5*	**(21,498)**	(11,398)
Fair value loss on investment properties	*11*	**(1,753)**	(1,650)
Gain on disposal of interest in an associate	*12*	**587,715**	—
Selling and marketing expenses		**(82,670)**	(101,157)
General and administrative expenses		**(56,545)**	(65,240)
Provision for impairment losses recognised in respect of trade receivables		**(9,771)**	(15,497)
Research and development expenses		**(45,767)**	(25,514)
Operating profit		**518,315**	1,671
Finance cost — net	*6*	**(5,126)**	(28,684)
Share of result of an associate		**113,410**	112,821
Profit before income tax	*7*	**626,599**	85,808
Income tax credit/(expense)	*8*	**5,212**	(3,839)
Profit for the year		**631,811**	81,969
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(626)**	(10,062)
Exchange difference arising on translation of an associate in foreign currency		**(114,741)**	44,057
Reclassification from exchange differences reserve to profit or loss on			
— deregistration of a subsidiary		**—**	(1,417)
— deemed disposal of an associate		**676**	(195)
— disposal of an associate		**(17,330)**	—
Other comprehensive (expense)/income for the year		**(132,021)**	32,383
Total comprehensive income for the year		**499,790**	114,352

	Note	2020 RMB'000	2019 RMB'000
Profit for the year attributable to:			
Owners of the Company		**631,814**	81,982
Non-controlling interests		**(3)**	(13)
		631,811	81,969
Total comprehensive income for the year attributable to:			
Owners of the Company		**499,793**	114,365
Non-controlling interests		**(3)**	(13)
		499,790	114,352
		RMB cents	*RMB cents*
Earnings per share attributable to owners of the Company for the year	*10*		
Basic earnings per share		**40.26**	5.22
Diluted earnings per share		**40.26**	5.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**698,441**	725,214
Right-of-use assets	*19*	**22,465**	23,027
Investment properties	*11*	**274,740**	276,493
Intangible assets		**177,898**	181,113
Interest in an associate	*12*	**—**	3,699,401
Deferred income tax assets		**14,726**	9,174
Long-term prepayments		**9,140**	23,552
Trade receivables	*15*	**—**	11,200
		1,197,410	4,949,174
Current assets			
Inventories	*14*	**39,041**	36,384
Trade and other receivables	*15*	**151,370**	206,225
Amount due from an associate		**27,505**	27,449
Cash and cash equivalents		**1,701,783**	132,598
		1,919,699	402,656
Assets classified as held for sale	*13*	**2,166,486**	—
Total current assets		**4,086,185**	402,656
Total assets		**5,283,595**	5,351,830

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Current liabilities			
Trade and other payables	*16*	**92,602**	98,498
Amount due to an associate		**27,829**	28,086
Lease liabilities	*19*	**2,461**	2,545
Bank borrowings	*17*	**10,000**	587,071
Tax payables		**5,049**	5,925
Total current liabilities		**137,941**	722,125
Net current assets/(liabilities)		**3,948,244**	(319,469)
Non-current liabilities			
Bank borrowings	*17*	**18,000**	—
Deferred tax liabilities		**2,728**	3,727
Deferred government grants		**16,647**	17,489
Total non-current liabilities		**37,375**	21,216
NET ASSETS		**5,108,279**	4,608,489
EQUITY			
Equity attributable to owners of the Company			
Share capital	*18*	**965**	965
Share premium		**1,492,937**	1,492,937
Retained earnings		**3,242,575**	2,610,761
Reserves		**371,964**	503,985
		5,108,441	4,608,648
Non-controlling interests		**(162)**	(159)
TOTAL EQUITY		**5,108,279**	4,608,489

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2019	965	1,492,937	471,602	2,528,779	4,494,283	(146)	4,494,137
Comprehensive income							
Profit for the year	—	—	—	81,982	81,982	(13)	81,969
Other comprehensive income							
Currency translation differences	—	—	(10,062)	—	(10,062)	—	(10,062)
Deregistration of a subsidiary	—	—	(1,417)	—	(1,417)	—	(1,417)
Exchange difference arising on translation of an associate in foreign currency	—	—	44,057	—	44,057	—	44,057
Exchange differences reclassified to profit or loss upon deemed disposal	—	—	(195)	—	(195)	—	(195)
Total comprehensive income for the year	—	—	32,383	81,982	114,365	(13)	114,352
At 31 December 2019	965	1,492,937	503,985	2,610,761	4,608,648	(159)	4,608,489
Comprehensive income							
Profit for the year	**—**	**—**	**—**	**631,814**	**631,814**	**(3)**	**631,811**
Other comprehensive income							
Currency translation differences	**—**	**—**	**(626)**	**—**	**(626)**	**—**	**(626)**
Exchange difference arising on translation of an associate in foreign currency	**—**	**—**	**(114,741)**	**—**	**(114,741)**	**—**	**(114,741)**
Exchange differences reclassified to profit or loss upon disposal of interest in an associate	**—**	**—**	**(17,330)**	**—**	**(17,330)**	**—**	**(17,330)**
Exchange differences reclassified to profit or loss upon deemed disposal of an associate	**—**	**—**	**676**	**—**	**676**	**—**	**676**
Total comprehensive income for the year	**—**	**—**	**(132,021)**	**631,814**	**499,793**	**(3)**	**499,790**
At 31 December 2020	**965**	**1,492,937**	**371,964**	**3,242,575**	**5,108,441**	**(162)**	**5,108,279**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Profit before income tax		**626,599**	85,808
Adjustments for:			
Depreciation of property, plant and equipment		**24,418**	25,198
Depreciation of right-of-use assets	*19*	**802**	881
Amortisation of intangible assets		**3,215**	3,324
Loss on disposal of property, plant and equipment		**1,533**	11,177
Share of results from associated company	*12*	**(113,410)**	(112,821)
Loss on deemed disposal of the interests in an associate	*12*	**34,817**	26,188
Gain on disposal of the interest in an associate	*12*	**(587,715)**	—
Fair value loss on investment properties	*11*	**1,753**	1,650
Loss on guarantee liability	*5*	**736**	1,592
Interest expense	*6*	**10,671**	30,124
Interest income	*6*	**(5,545)**	(1,626)
Unrealised exchange losses/(gains)		**8,026**	(1,605)
Write off of property, plant and equipment		**1,946**	—
Bad debt written off		**4,666**	—
Provision for impairment of trade receivables		**9,771**	15,497
Operating cash flows before movements in working capital		**22,283**	85,387
(Increase)/decrease in inventories		**(2,657)**	3,981
Decrease in trade and other receivables		**78,587**	9,340
(Decrease)/increase in deferred government grants		**(642)**	16,606
Decrease in trade and other payables		**(17,152)**	(7,564)
Cash generated from operations		**80,419**	107,750
Income taxes paid		**(2,215)**	(7,757)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**78,204**	99,993

	Note	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(3,003)**	(22,174)
Payments for development costs of construction in progress		**(4,874)**	(25,212)
Interest received		**5,545**	1,626
Proceeds from disposal of interest in an associate		**2,067,828**	—
Proceeds from disposal of property, plant and equipment		**4,516**	—
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**2,070,012**	(45,760)
FINANCING ACTIVITIES	*22*		
Payment for lease liabilities		**(332)**	(202)
Repayment of bank borrowings		**(585,401)**	—
Proceeds from exercise of employee share options		**—**	62
Increase in bank borrowings		**18,000**	10,000
Interest paid on bank borrowings		**(10,663)**	(30,114)
NET CASH USED IN FINANCING ACTIVITIES		**(578,396)**	(20,254)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,569,820**	33,979
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(635)**	(345)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**132,598**	98,964
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash		**1,701,783**	132,598

NOTES TO FINANCIAL INFORMATION

For the year ended 31 December 2020

1. GENERAL

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc. (the "Infusion Set Business").

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

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2020

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

(b) Potential impact arising on HKFRSs not yet effective

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

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Annual Improvements to HKFRSs 2018–2020[2]	
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKFRS 16	COVID-19 Related Rent Concessions[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[5]
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]

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

2 Effective for annual periods beginning on or after 1 January 2022.

3 Annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 4 June 2020.

4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

5 Effective for annual periods beginning on or after 1 January 2023.

6 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Provision for taxes

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

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

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

(b) Useful lives of property, plant and equipment

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

(c) Power to exercise significant influence

Where the Group holds less than 20% of voting rights in an investment but the Group has the power to exercise significant influence, such an investment is treated as an associate. More information is disclosed in Note 12.

(d) Investment properties

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 11 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties. The fair value of investment properties as at 31 December 2020 was RMB274,740,000 (2019:RMB276,493,000).

(e) Impairment of goodwill, other intangible assets and property, plant and equipment

Goodwill, other intangible assets, property, plant and equipment are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment, goodwill are required to be tested annually for impairment. For the purpose of impairment testing, goodwill has been allocated to the CGU operating in the infusion set business.

Determining whether goodwill and other assets allocated to CGU is impaired requires an estimation of the value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

(f) Fair value of measurement

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

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

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

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

The Group measures investment properties at fair value.

A more detailed information in relation to the fair value measurement of these assets is disclosed in Note 11.

(g) Impairment of financial assets

The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

For the year ended 31 December 2020, the Group recorded an additional allowance for expected credit losses of RMB9,771,000, reflecting a reduction in the credit quality of its related trade receivables as a results of the COVID-19 global pandemic. The management has incorporated their judgements on deciding forward-looking factors in the calculation of expected credit losses. Management's judgements regarding expected credit losses are based on the facts available to management currently. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Group's customers and their ability to meet their financial obligations to the Group is difficult to predict. As a result, the Group's judgments and associated estimates of expected credit losses may ultimately prove, with the benefit of hindsight, to be incorrect.

4. SEGMENT REPORTING

(a) Business segments

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

For the year ended 31 December 2020, the Group has only one reportable operating segment which is Infusion Set Business that involving the R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc. Thus, no operating segments have been aggregated to form the above reportable operating segment.

(b) Disaggregation of revenue

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

	2020	2019
	RMB'000	*RMB'000*
Customer segments		
Revenue from hospitals	**32,008**	69,678
Revenue from medical products distributors	**215,344**	292,505
	247,352	362,183
Timing of revenue recognition		
Recognised at a point of time	**247,352**	362,183

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

(c) Concentration of customers

Revenues of approximately RMB17,449,000 representing 7.1% (2019: RMB27,692,000, 7.6%) are derived from a single external customer.

5. OTHER LOSSES — NET

	2020	2019
	RMB'000	*RMB'000*
Government grants	**4,751**	7,838
Gain on deregistration of a subsidiary	**—**	1,417
Rental income	**11,801**	10,624
Property management fee income	**6,279**	7,144
Loss on disposal of property, plant and equipment	**(1,533)**	(11,177)
Loss on guarantee liability *(Note)*	**(736)**	(1,592)
Loss on deemed disposal of an associate *(Note 12)*	**(34,817)**	(26,188)
Net foreign exchange loss	**(5,873)**	—
Others	**(1,370)**	536
Other losses — net	**(21,498)**	(11,398)

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 (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. As of the date of approval of the consolidated financial statements, the Group is considering to make claims against the other joint guarantor and the former owners of Xuzhou Yijia to claim such loss.

After assessing the risk relating to the joint guarantee liability, the directors of the Company accrued a provision to guarantee liability which included the principal and accumulated interest of the above loan in 2018. The loss recognised during the year ended 31 December 2019 and 2020 represents the interest accrued for the period on the guarantee liability.

6. FINANCE COST — NET

	2020	2019
	RMB'000	*RMB'000*
Finance income		
Interest income on short-term bank deposits	**5,545**	1,626
Finance costs		
Interest on bank borrowings	**(10,663)**	(30,114)
Net foreign exchange loss	**—**	(186)
Interest on lease liabilities	**(8)**	(10)
	(10,671)	(30,310)
Finance cost — net	**(5,126)**	(28,684)

7. PROFIT BEFORE TAXATION

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**2,164**	2,562
Staff costs (excluding directors' emoluments):		
Wages, salaries and bonuses	**62,860**	82,731
Staff welfare	**3,647**	5,986
Social security costs	**3,893**	9,598
Housing fund	**1,781**	1,651
Total staff costs	**74,345**	102,528
Auditor's remuneration:		
— Audit services	**1,160**	1,200
— Non-audit services	**379**	381
Bad debt written off	**4,666**	—
Provision for impairment of receivables	**9,771**	15,497
Depreciation of property, plant and equipment	**24,418**	25,198
Depreciation of right-of-use assets *(Note 19)*		
— Properties	**320**	197
— Leasehold land and land use right	**482**	684
Amortisation of intangible assets	**3,215**	3,324
Raw materials and consumable used	**40,185**	61,775

8. TAXATION

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

	2020	2019
	RMB'000	*RMB'000*
Current income tax		
PRC Income Tax expense for the year	**(1,339)**	(16,405)
Deferred income tax	**6,551**	12,566
Income tax credit/(expense)	**5,212**	(3,839)

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

(a) Cayman Islands profits tax

The Company is not 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 year as the Group's operations in HK had no assessable profits.

(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% (2019: 25%).

Two subsidiaries (2019: two) of the Group have been qualified as "High and New Technology Enterprises" under the CIT Law. Therefore, they were entitled to a preferential income tax rate of 15% on their estimated assessable profits during the year (2019: 15%). They will continue to enjoy the preferential tax rate in the subsequent periods, provided that they continue to be qualified as "High and New Technology Enterprises" during such periods.

(d) Withholding tax ("WHT")

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

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

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

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**626,599**	85,808
Tax calculated at statutory tax rates applicable to profits in the respective countries	**157,005**	22,085
Tax effect of:		
Effect of different tax rate in foreign jurisdictions	**(54,849)**	—
Preferential income tax rates applicable to subsidiaries	**2,986**	(5,067)
Additional deductible allowance for research and development expenses *(note (i))*	**(3,349)**	(1,185)
Tax effect of expenses not deductible for tax purpose	**38,650**	12,006
Tax effect of income not taxable for tax purpose	**(116,108)**	—
Tax effect of temporary differences	**260**	(2,790)
Tax effect of share of profits from an associate	**(28,429)**	(28,205)
Tax effect of estimated tax losses not recognised	**631**	7,333
Adjustment in respect of prior years	**(2,009)**	(338)
Income tax (credit)/expense for the year	**(5,212)**	3,839

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

9. DIVIDENDS

Pursuant to the Company's announcement dated on 6 November 2020, the Directors recommended a special dividend of HK$1.5766 per ordinary share (2019: Nil), which was subsequently approved by the Shareholders on 8 December 2020. The proposed dividends are not reflected as a dividend payable in these financial statements as the special dividend was subject to completion of disposal of interest in an associate (the "transactions"). As the Transaction completed on 6 January 2021, the special dividend are subsequently paid on 25 February 2021.

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 year ended 31 December 2020.

	2020	2019
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**631,814**	81,982
Weighted average number of ordinary shares in issue (thousands)	**1,569,246**	1,569,246
Basic earnings per share (RMB cents per share)	**40.26**	5.22

(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).

	2020	2019
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**631,814**	81,982
Weighted average number of ordinary shares in issue (thousands)	**1,569,246**	1,569,246
Adjustments for:		
— Share options (thousands)	**64**	46
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,569,310**	1,569,292
Diluted earnings per share (RMB cents per share)	**40.26**	5.22

11. INVESTMENT PROPERTIES

	Total
	RMB'000
FAIR VALUE	
At 1 January 2019	278,143
Fair value adjustments	(1,650)
At 31 December 2019	276,493
Fair value adjustments	(1,753)
At 31 December 2020	274,740

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

The fair value of the Group's investment properties at 31 December 2020 was approximately RMB274,740,000 (31 December 2019: RMB276,493,000). The fair value of the Group's investment properties at 31 December 2020 and 2019 have been arrived at on market value basis carried out by Beijing Guorongxinghua Assets Appraisal Co., Ltd., an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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

The valuation has factored the potential impact of the COVID-19 pandemic by modifying the previous year's assumptions, reflecting the uncertainty and risk of defaults and non-payment of rent caused by the COVID-19 pandemic. The following table shows the significant unobservable inputs used in comparison with the previous year:

	2020	2019
Occupancy rate	**60.0% to 86.8%**	50.0% to 90.0%
Rental growth rate	**3.0%**	4.0%
Discount rate	**6.0%**	7.1%

The fair value of the investment properties at 31 December 2019 and 2020 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the year.

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. The effect of COVID-19 pandemic would meant that the range of reasonably possible changes as presented below:

	2020
	RMB'000
Discount rate increased by 1%	**(40,430)**
Expected occupancy rate decreased by 3%	**(11,840)**
Rental growth rate decreased by 0.5%	**(18,060)**

12. INTEREST IN AN ASSOCIATE

As at 31 December 2020, the Group held 9.67% (2019: 16.44%) equity interest in China Biologic Products Holdings, Inc. ("CBPO"). CBPO is a limited liability company incorporated in the Cayman Islands. Its shares are listed on NASDAQ Stock Market. CBPO and its subsidiaries are principally engaged in the research, development, manufacturing and sales of human plasma-based biopharmaceutical products.

For the year ended 31 December 2020, the Group's equity interest in CBPO has been less than 20%, the directors of the Company are of an opinion that they have had power to exercise significant influence over CBPO as one executive director of the Company had been one of the six directors of CBPO during the year ended 31 December 2020. Under HKAS 28, the investment in CBPO is classified as interest in an associate and has been accounted for in the consolidated financial statements using equity method until reclassified as assets held for sale as at 31 December 2020.

During the period from January 2020 to April 2020, the equity interest held by the Group in CBPO was diluted from 16.44% to 16.40% due to exercise of share options by grantee and issuance of share capital by CBPO. The dilution of interest resulted in a deemed disposal of interest in an associate and a loss of RMB8,094,000 is recognised in "Other losses — net" and a loss of RMB27,000 is recognised as other comprehensive loss in the consolidated statement of comprehensive income.

On 8 May 2020, in accordance with a share purchase agreement (the "Share Purchase Agreement"), the Company sold 1,000,000 ordinary shares to an independent third party for a cash consideration of US$101 million. After the disposal, the Company entered into an amendment to the Share Purchase Agreement, pursuant to which, purchasers agreed to pay additional US$19,000,000, as adjustments to the sale price, to the Company. The transaction did not affect the degree of significant influences to CBPO as the Company still has power to appoint one of the six directors of CBPO. The disposal of interests in CBPO resulted a gain of RMB269,002,000 recognised in "Gain on disposal of interest in an associate" and a loss of RMB21,078,000 is recognised as other comprehensive income in the consolidated statement of comprehensive income. The interest in CBPO reduced from 16.40% to 13.84% as at the disposal date.

During the period from May 2020 to December 2020, the equity interest held by the Group in CBPO was diluted from 13.84% to 13.72% due to exercise of share options by grantee and issuance of share capital by CBPO. The dilution of interest resulted in a deemed disposal of interest in an associate and a loss of RMB26,723,000 is recognised in "Other losses — net" and a gain of RMB703,000 is recognised as other comprehensive income in the consolidated statement of comprehensive income.

Pursuant to the Company's announcement dated on 26 October 2020, the Company has conditionally agreed to sell entire equity interest, being 5,321,000 CBPO Shares, to Biomedical Treasure Limited, CITIC Capital and Biomedical Future Limited at a consideration of US$120.0 per CBPO Share. Pursuant to the share purchase agreements, Biomedical Treasure Limited, CITIC Capital and Biomedical Future Limited has conditionally agreed to purchase, 3,750,000 CBPO Shares, 910,167 CBPO Shares and no less than 660,833 CBPO Shares respectively.

As at 30 December 2020, the transactions with CITIC Capital and Biomedical Future Limited were completed and detailed in the Company's announcement dated on 31 December 2020. The disposal of interests in CBPO resulted a gain of RMB318,713,000 recognised in "Gain on disposal of interest in an associate" and a gain of RMB3,747,000 is recognised as other comprehensive income in the consolidated statement of comprehensive income.

The remaining 9.67% interests in CBPO, being 3,750,000 CBPO Shares agreed to be sold to Biomedical Treasure Limited is classified as assets held for sale under HKFRS 5 as at 31 December 2020, as the Directors already located the buyer and the transaction is completed as of the date of approval the consolidated financial statements. The transaction is subsequently completed on 6 January 2021 and the director appointed by the Company resigned as a director of CBPO effective from the same day.

	2020	2019
	RMB'000	*RMB'000*
Share of net assets	—	2,311,883
Goodwill	—	1,387,518
	—	3,699,401

Particulars of the Group's interest in an associate as at 31 December 2020 is as follows:

Name of company	Form of business structure	Place of incorporation/ operations	Percentage of ownership interest/ voting rights/ profit share	Principal activity
China Biologic Products Holdings, Inc.	Corporation	Cayman Islands/ PRC	9.67% (2019: 16.44%)	Research, development, manufacturing and sales of human plasma-based biopharmaceutical products

The summarised movements of interest in associates during the year are as below:

	RMB'000
At 1 January 2020	3,699,401
Share of result of an associate	113,410
Exchange difference arising on translation of other comprehensive income of an associate	(114,741)
Disposal of interest in an associate	(1,497,443)
Deemed disposal of interest in an associate	(34,141)
Reclassified as held for sale *(Note 13)*	(2,166,486)
At 31 December 2020	—

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

	For the Year ended 31 December 2020 *RMB'000*
Purchase consideration received	2,067,828
Share of interest disposed of	(1,497,443)
Exchange alignments	17,330
Gain on disposal of interest in an associate	587,715

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

	2020	2019
	RMB'000	*RMB'000*
As at 31 December		
Current assets	**10,430,349**	9,056,120
Non-current assets	**6,213,954**	6,589,597
Current liabilities	**(920,393)**	(835,227)
Non-current liabilities	**(252,699)**	(304,846)
Net assets	**15,471,211**	14,505,644
Net assets attributable to owners of the equity	**14,872,358**	13,990,365
Group's share of the net assets of the associate	**997,479**	2,311,883

	2020	2019
	RMB'000	*RMB'000*
Year ended 31 December		
Revenue	**3,615,043**	3,473,019
Profit for the year	**1,163,657**	874,006
Other comprehensive income/(expense)	**689,886**	(140,534)
Total comprehensive income	**1,853,543**	733,472
Profit for the year attributable to owners of the equity	**70,304**	695,685
Other comprehensive expense attributable to owners of the equity	**(20,122)**	(117,835)
Total comprehensive income attributable to owners of the equity	**50,182**	577,850
Dividends received from the associate	**—**	—

13. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Refer to Note 12, the remaining 9.67% equity interest of CBPO as at 31 December 2020, being 3,750,000 CBPO shares, are classified as assets and liabilities of a disposal group classified as held for sale. As of the date approve the financial statements, the transaction of selling the remaining interest is completed on 6 January 2021 and detailed in the Company's announcement dated on 7 January 2021.

	RMB'000
Interest in an associate	2,166,486

14. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**21,349**	15,369
Work in progress	**5,331**	6,541
Finished goods	**12,361**	14,474
	39,041	36,384

15. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables *(i)*	**107,880**	163,639
Bills receivable *(ii)*	**2,026**	6,303
Prepayments and deposits	**6,488**	7,127
Value added tax recoverable	**19,713**	15,970
Other receivables	**15,263**	24,386
	151,370	217,425
Trade receivables — non-current	**—**	(11,200)
Trade and other receivables — current portion	**151,370**	206,225

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

	2020	2019
	RMB'000	*RMB'000*
Up to 3 months	**26,345**	42,948
3 months to 6 months	**15,825**	28,249
6 months to 12 months	**15,478**	28,245
1 year to 2 years	**29,191**	20,096
2 years to 3 years	**21,041**	44,101
	107,880	163,639

The Group and the Company recognised impairment loss based on the accounting policy.

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

During the year ended 31 December 2019, the Group has entered into repayment agreements (the "Agreements") individually with three major customers (the "Customers") who owed total amount of approximately RMB90,389,000 to the Group. Pursuant to the Agreements, approximately RMB28,000,000 (the "Overdue Debts") are identified as amount that exceeding the line of credit being granted to the Customers. The Overdue Debts will be settled in cash by monthly instalment of RMB1,400,000 for a period within two years commencing from January 2020. During the year ended 31 December 2020, the repayments made by the Customers for the Overdue Debts have been consistent with the agreed schedule.

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

16. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**15,019**	13,348
Salary and staff welfare payables	**18,942**	22,545
Advances from customers	**16,051**	13,266
Deposits received	**3,955**	2,411
Value added tax and other taxes	**303**	4,038
Professional service fee	**2,922**	3,269
Provision of loss from guarantee liability *(Note 5)*	**18,480**	17,744
Deferred government grant — current portion	**642**	442
Other payables	**16,288**	21,435
	92,602	98,498

As at 31 December 2020 and 2019, except for the advances from customers, deposits received, value added tax and other taxes and deferred government grant which are not financial liabilities, all trade and other payables of the Group were non-interest bearing, and their fair values 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:

	2020	2019
	RMB'000	*RMB'000*
Up to 6 months	**3,591**	10,592
6 months to 12 months	**3,847**	1,015
Over 1 year	**4,924**	804
2 years to 3 years	**972**	361
Over 3 years	**1,685**	576
	15,019	13,348

17. BANK BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Current liabilities		
Bank borrowings due for repayment within one year *(Note (a))*	**—**	577,071
Trade finance borrowings due to repayment within one year which contained a repayable on demand clause *(Note (b))*	**10,000**	10,000
	10,000	587,071
Non-current liability — Secured		
Bank borrowing *(Note (c))*	**18,000**	—
Total bank borrowings	**28,000**	587,071

Note:

(a) On 20 September, 2018, the Company, as borrower, entered into a loan agreement with Morgan Stanley Bank, N.A. (the "Lender") (the "Loan Agreement"), pursuant to which the Lender agreed to make a loan to the Company in an amount of up to US$82,720,000 (equivalent to RMB539,740,000) (the "Loan") for a term of one year. The Loan was extendable for one year upon the mutual agreement between the Company and the Lender. Pursuant to the Loan Agreement, it will be a mandatory prepayment event if Mrs. Liu Yufeng as the controlling shareholder of the Company, together with any relative of Mrs. Liu Yufeng or any entity through which Mrs. Liu Yufeng holds the shares of the Company, ceases to beneficially own, directly or indirectly through any entity, more than 30% of the voting power in respect of all such interests or equity entitled to vote generally in elections with respect to the management of the Company.

The loan was interest bearing at LIBOR plus 2.685% per annum and secured by 3,162,854 shares of CBPO. Following the disposal of shares of CBPO on 8 May 2020 (Note 12), the Company repaid the loan in full.

(b) The bank borrowing represents trade finance advanced from the Bank of Beijing. As at 31 December 2020, bank facilities in total of RMB10,000,000 were granted to the Group's subsidiary, Beijing Fert Technology Co.,Ltd. by the Bank of Beijing, of which RMB10,000,000 is utilised by the Company as at 31 December 2020.

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Company's financial position ratios, as are commonly found in lending arrangements with financial institutions.

If the Company was to breach the covenants, the drawn down facilities would become repayable on demand.

The borrowing is secured by corporate guarantee and bears interest at 0.50% plus the prime rate of the Central Bank in the PRC. The loan is carried at amortised cost.

(c) On 29 February 2020, the Company has been granted a new bank facilities from the Industrial and Commercial Bank of China amounted to RMB220,000,000 which is repayable in 2025, of which amounted of RMB18,000,000 has been utilised by the Company as at 31 December 2020.

The borrowing is secured by the leasehold land and building of approximately RMB274,673,000 owned by the Group's subsidiary and bears interest at prime rate of Central Bank in the PRC minus 0.10%. The loan is carried at amortised cost.

18. SHARE CAPITAL

	Number of ordinary shares	Share capital *RMB'000*
Issued and fully paid:		
Balance at 1 January 2019, 31 December 2019 and 31 December 2020	1,569,246,098	965

19. LEASES

(a) Leases as lessee

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

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

(i) *Right-of-use assets*

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

	Properties *RMB'000*	Leasehold land and land use rights *RMB'000*	Total *RMB'000*
2020			
Balance at 1 January	98	22,929	23,027
Addition	240	—	240
Depreciation charge for the year	(320)	(482)	(802)
Balance at 31 December	18	22,447	22,465

(ii) ***Lease liabilities***

	Properties	Leasehold land and land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
2020			
Balance at 1 January	103	2,442	2,545
Interest expense	(8)	—	(8)
Lease payments	(76)	—	(76)
Balance at 31 December	19	2,442	2,461

Future lease liabilities are payable as follows:

	Minimum lease payments	Interest	Present value
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2019			
Not later than one year	2,546	(1)	2,545
At 31 December 2020			
Not later than one year	2,469	(8)	2,461

The present value of future lease payments are analysed as:

	2020
	RMB'000
Current liabilities	**2,461**

(iii) ***Amounts recognised in profit or loss***

	RMB'000
2020 — Leases under HKFRS 16	
Interest on lease liabilities	8
Expenses relating to short-term leases	238
	246
Aggregate undiscounted commitments for short term leases	40

(iv) ***Amounts recognised in statement of cash flows***

	RMB'000
2020	
Total cash outflow for leases	(332)

(b) Leases as lessor

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

Rental income recognised by the Group during 2020 was RMB11,801,000.

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

	2020
	RMB'000
Within one year	**11,871**
One to two years	**12,318**
In the third to fifth years inclusive	**17,256**
	41,445

20. CAPITAL COMMITMENTS

Capital expenditure contracted for but not accounted for at the end of the reporting period in the financial statements is as follow:

	2020	2019
	RMB'000	*RMB'000*
Commitments for the acquisition of:		
Property, plant and equipment	**28,593**	30,416

21. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

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

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

	2020	2019
	RMB'000	*RMB'000*
Short-term benefits	**3,289**	3,465
Post-employment benefits	**195**	203
	3,484	3,668

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

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

The amount due from/(to) an associate is interest-free, unsecured and repayable on demand, arising from balance due from CBPO and balances due to a CBPO's subsidiary.

22. NOTES SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Bank borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2019	567,724	4,572	572,296
Changes from financing cash flows			
Proceeds from new bank borrowings	10,000	—	10,000
Payment of lease liabilities	—	(202)	(202)
Interest paid	(30,114)	—	(30,114)
Total changes from financing cash flows	(20,114)	(202)	(20,316)
Other changes			
Interest expense	30,114	10	30,124
Exchange differences	9,347	—	9,347
Disposal of land use right	—	(1,835)	(1,835)
Total liability-related other changes	39,461	(1,825)	37,636
At 31 December 2019 and 1 January 2020	587,071	2,545	589,616
Changes from financing cash flows			
Proceeds from new bank borrowings	18,000	—	18,000
Payment of bank borrowing	(585,401)	—	(585,401)
Payment of lease liabilities	—	(332)	(332)
Interest paid	(10,663)	—	(10,663)
Total changes from financing cash flows	(578,064)	(332)	(578,396)
Other changes			
Addition of properties	—	240	240
Exchange differences	8,330	—	8,330
Interest expense	10,663	8	10,671
Total liability-related other changes	18,993	248	19,241
At 31 December 2020	28,000	2,461	30,461

23. 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:

	2020	2019
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortised cost	**1,854,457**	354,375
Financial liabilities		
Financial liabilities at amortised cost	**129,941**	696,043

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

— the fair value of investments held for trading with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price; and

— the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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

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

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

All of the Group and the Company's financial assets and financial liabilities are measured at amortised cost as at 31 December 2020 and 2019. The directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

24. IMPACT OF COVID-19

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

— Interruptions to the infusion-set business operated by the Group;

— Decrease in hospital traffic in the PRC;

— Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the Group's primary products.

The directors of the Company are continuing to assess the implications of COVID-19 pandemic to the business in which the Group operates. Depending on the duration of the COVID-19 pandemic and continued negative impact on economic activity, the Group might experience liquidity restraints. However, the exact impact in the remainder of 2021 and thereafter cannot be predicted.

25. EVENTS AFTER THE REPORTING PERIOD

Payment of special dividend

As of the date of this results announcement, the special dividend of HK$1.5766 per ordinary share approved by the Shareholders on 8 December 2020 were subsequently paid on 25 February 2021.

Completion of disposal of 3,750,000 CBPO shares

Pursuant to the Company's announcement dated on 7 January 2021, the Company already completed the transaction of disposing 3,750,000 CBPO shares to Biomedical Treasure with consideration of US$450,000,000 on 6 January 2021.

FINANCIAL REVIEW

REVENUE

The revenue of the Group decreased by 31.7% from approximately RMB362.2 million in 2019 to approximately RMB247.4 million in 2020, as a result of the decrease in sales of the Infusion Set Business. Such decrease was mainly due to the outbreak of COVID-19 pandemic starting in early 2020, which caused significant decline in hospital traffic in the PRC and led to the decrease of sales volume of infusion set, especially in the major sales areas of the Group, such as Beijing, Hubei Province and Heilongjiang Province. The decrease was partially offset by an increase in sales of disposable intravenous cannula by 22.7% to RMB52.4 million.

GROSS PROFIT

The Group's gross profit decreased by 33.1% from approximately RMB222.1 million in 2019 to approximately RMB148.6 million in 2020. The gross profit margin decreased from 61.3% in 2019 to 60.1% in 2020, which was mainly due to the increase of the unit fixed cost as the sales volume declined.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses decreased by 18.3% from approximately RMB101.2 million in 2019 to approximately RMB82.7 million in 2020. This decrease was mainly attributable to the decrease of the travelling and logistical expenses as well as the business entertainment and promotion cost as a result of the imposition of travel restrictions during the COVID-19 pandemic period.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by 13.3% from approximately RMB65.2 million in 2019 to approximately RMB56.5 million in 2020. The decrease was mainly due to the decrease of legal and other services fee and energy expenses, which partially offset by an increase of approximately RMB4.7 million in trade receivable write off.

PROVISION FOR IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF TRADE RECEIVABLES

For the year ended December 31, 2020, provision for impairment losses recognised in respect of trade receivables amounted to approximately RMB9.8 million, decreased by approximately RMB5.7 million from approximately RMB15.5 million in 2019.

R&D EXPENSES

R&D expenses increased by 79.4% from approximately RMB25.5 million in 2019 to approximately RMB45.8 million in 2020, mainly due to the increase of direct materials and research expenses used during the R&D programs, since some new R&D activities had been launched during this year.

OTHER LOSSES — NET

Other losses — net in 2020 amounted to approximately RMB21.5 million, increased by approximately RMB10.1 million from a net other losses of approximately RMB11.4 million in 2019, mainly due to that (i) the loss on deemed disposal of an associate increased by approximately RMB8.6 million; (ii) the increase of the net foreign exchange loss amounted to RMB5.9 million, which was caused by the change of the exchange rate for the US dollar deposits denominated in RMB; (iii) the loss on the disposal of property, plant and equipment decreased by approximately RMB9.6 million; and (iv) the government grants decreased by approximately RMB3.1 million.

GAIN ON DISPOSAL OF INTEREST IN AN ASSOCIATE

The Group had a gain on disposal of interest in an associate of RMB587.7 million, being the capital gain from the disposal of 2,571,000 CBPO shares completed in 2020, as disclosed in Note 12 to financial information in this announcement. After the disposal, the Company's equity interest in CBPO decreased from 16.4% to 9.7% as of 31 December 2020. The capital gain from the disposal of the remaining 3,750,000 CBPO shares on January 6, 2021, will be recognized in the consolidated statement of comprehensive income in year 2021.

FAIR VALUE LOSS ON INVESTMENT PROPERTIES

The Group had a fair value loss on investment properties of RMB1.8 million in 2020, which was increased by RMB0.1 million from RMB1.7 million in 2019. The increased loss was mainly due to the decline in the rental market in an epidemic environment.

OPERATING PROFIT

Operating profit increased by RMB516.6 million from RMB1.7 million in 2019 to RMB518.3 million in 2020, mainly due to the gains on the transactions of disposal of 2,571,000 CBPO shares completed in 2020 amounted to RMB587.7 million. It was partially offset by (i) the loss on deemed disposal of an associate amounted to RMB34.8 million in 2020 (2019: RMB26.2 million), which was charged to the profit and loss when the Group's equity interest in CBPO was diluted due to exercise of CBPO share options; (ii) the impact of the COVID-19 pandemic which led to the decrease of the sales of infusion sets; (iii) the increased investment in the R&D activities; and (iv) the accrual of impairment allowance for trade receivables.

FINANCE COST — NET

The Group had a net finance cost of RMB5.1 million for the year ended December 31, 2020, decreased by approximately RMB23.6 million from RMB28.7 million in 2019. As disclosed in Note 6 to the annual results announcement for the year ended December 31, 2020, the decrease was mainly due to the early repayment of bank borrowing of US$82,720,000 in May 2020, so that the Group only accrued approximately 4 months interest expense of RMB10.7 million for 2020, while in 2019, the Group had incurred interest expense for bank borrowings of RMB30.1 million. The remaining decrease was mainly due to the interest income recognized in 2020.

SHARE OF RESULT OF AN ASSOCIATE

As disclosed in Note 12 to financial information in this announcement, the investment in CBPO was classified as interest in an associate in 2019 and had been accounted for in the consolidated financial statements using equity method. In 2020, after entering into the agreements to dispose of the Group's holding of CBPO shares, the remaining investment in CBPO had been reclassified as assets held for sale as at December 31, 2020. Share of result of CBPO during the year ended December 31, 2020 amounted to RMB113.4 million, after deducting amortization of intangible assets arising from the acquisition of RMB37.9 million during the year ended December 31, 2020.

INCOME TAX CREDITS/(EXPENSES)

For the year ended December 31, 2020, income tax credits amounted to approximately RMB5.2 million, as compared with the income tax expenses of approximately RMB3.8 million in 2019. The change was mainly due to the decrease of taxable profit as well as the record of the deferred income tax assets related to impairment loss of trade receivables and fair value loss on investment properties.

NET PROFIT

In view of the foregoing reasons, the net profit of the Group in 2020 increased by RMB549.8 million from approximately RMB82.0 million in 2019 to RMB631.8 million, which was mainly due to the gains on the transactions of disposal of 2,571,000 CBPO shares completed in 2020 amounted to RMB587.7 million and the decrease of the finance cost by RMB19.4 million. The increase was partially offset by the decrease of the infusion set sales due to the impact of the COVID-19 pandemic.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the year ended December 31, 2020 amounted to approximately RMB631.8 million, representing an increase of 670.7% from approximately RMB82.0 million recorded in 2019.

PROFIT FOR THE YEAR

The profit for the year ended December 31, 2020 amounted to RMB631.8 million, representing an increase by 670.8% as compared to that for the year ended December 31, 2019.

TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables primarily comprised the outstanding payment from credit sales. As of December 31, 2020, the trade and other receivables of the Group was approximately RMB151.4 million, representing a decrease of approximately RMB54.8 million as compared to approximately RMB206.2 million as of December 31, 2019, which was mainly due to the decrease of the revenue and the provision for impairment losses on trade receivables of RMB9.8 million.

The Group has elected 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 15 to financial information in this announcement.

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 receivables. The Group would also negotiate with customer to explore the use of debt agreement if there are higher risk of recoverability. In some circumstance, 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 receivable aged over 6 months amounted to RMB92.4 million at December 31, 2019, a total of RMB54.6 million was subsequently received up to December 31, 2020.

As at December 31, 2020, the Group had made loss allowances of RMB34.8 million (as at December 31, 2019: RMB25.0 million) on the trade receivables with a gross amount of RMB142.7 million (as at December 31, 2019: RMB188.6 million).

INVENTORIES

Inventories increased by approximately 7.3% from approximately RMB36.4 million as of December 31, 2019 to approximately RMB39.0 million as of December 31, 2020. The increase of inventories was mainly due to the increase of the raw materials stock to address the risk of inefficient traffic during the pandemic period.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly include buildings and facilities, machinery and equipment and construction in progress. As of December 31, 2020, the property, plant and equipment of the Group amounted to approximately RMB698.4 million, representing a decrease of approximately RMB26.8 million as compared to approximately RMB725.2 million as of December 31, 2019. The decrease was mainly due to the depreciation of the property, plant and equipment during the year ended December 31, 2020.

INTANGIBLE ASSETS

The Group's intangible assets mainly include goodwill, technology know-how, trademarks, computer software and customer relationship. The Group's goodwill, technology know-how and trademarks are mainly identified and recorded during the purchase accounting process for the acquisitions of subsidiaries in prior years. The goodwill is subject to impairment test at each period end, while the technology know-how and trademarks are amortised with straight line method for 15 years. As of December 31, 2020, the net value of the Group's intangible assets was approximately RMB177.9 million, representing a decrease of approximately RMB3.2 million as compared to RMB181.1 million as of December 31, 2019. The decrease was primarily due to the amortisation charged during the year ended December 31, 2020.

INTEREST IN AN ASSOCIATE AND ASSETS CLASSIFIED AS HELD FOR SALE

As at December 31, 2020, our share of the net assets of CBPO amounted to RMB2,166 million, representing 41.0% of our total assets as at December 31, 2020. Such interest in CBPO is classified as held for sale on the consolidated statement of financial positions as at December 31, 2020 and is subsequently disposed off on January 6, 2021.

FINANCIAL RESOURCES AND LIQUIDITY

As of December 31, 2020, the Group's cash and bank balances amounted to approximately RMB1,701.8 million (2019: RMB132.6 million). As of December 31, 2020, the Group's bank borrowing balances was RMB28.0 million as disclosed in Note 17 to financial information in this announcement (2019: RMB587.1 million).

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

PLEDGE OF ASSETS

Save as those disclosed in Note 17 to financial information in this announcement, during the year ended December 31, 2020, the Group did not enter into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. The Group did not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or R&D or other services with it.

COMMITMENTS

As of December 31, 2020, the Group had a total capital commitment of approximately RMB28.6 million (2019: RMB30.4 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

CAPITAL EXPENDITURE

During the year ended December 31, 2020, the Group incurred expenditure of RMB15.2 million on the construction in progress including facilities and production lines and expenditure of RMB2.0 million on the purchase of property, plant and equipment.

GEARING RATIO

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

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Total borrowing	**28,000**	587,071
Total equity	**5,108,279**	4,608,489
Total capital	**5,136,279**	5,195,560
Gearing Ratio	**0.55%**	11.30%

FOREIGN EXCHANGE RISK

The Group mainly operates its business in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and Hong Kong dollar. Foreign exchange risk arises from bank deposits and borrowings of the Group denominated in foreign currencies. The Group did not hedge against any fluctuation in foreign currency during the year ended December 31, 2020. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

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

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

As of December 31, 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year by approximately RMB210,000 (2019: approximately RMB490,200).

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

CREDIT RISK

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

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

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

EMPLOYEES

The Group had approximately 756 employees as at December 31, 2020, as compared to 1,022 employees as at December 31, 2019. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2020.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2020 (2019: Nil).

CLOSURE OF THE REGISTER OF MEMBERS FOR 2021 AGM

For determining the entitlement to attend and vote at the 2021 AGM to be held on June 3, 2021, the register of members of the Company will be closed from May 31, 2021 to June 3, 2021, both days inclusive, and during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on May 28, 2021.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted the code provisions as set out in the "Corporate Governance Code" (the "**Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 Code during the year ended December 31, 2020, with the exception of code provision A.2.1 of the Code.

According to code provision A.2.1 of the 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 chief executive officer of the Company. 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 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 Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year ended December 31, 2020. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year ended December 31, 2020.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company (comprising Mr. Wang Xiaogang, Mr. Chen Geng and Mr. Lin Junshan) has reviewed with the Group's management the consolidated financial information of the Group for the year ended December 31, 2020, including accounting principles and practices adopted by the Group, and discussed risk management and internal controls and financial reporting matters.

Review of Preliminary Announcement of Results by the Independent Auditor

The figures in respect of the Group's results for the year ended December 31, 2020 as set out in this announcement have been agreed by the Company's independent auditor, BDO Limited, in relation to the amounts set out in the Group's consolidated financial statements for the year ended December 31, 2020. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by BDO Limited on this announcement.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business partners for their trust and support.

By Order of the Board
PW Medtech Group Limited
Yue'e Zhang
Chairman & Chief Executive Officer

Hong Kong, March 30, 2021

As at the date of this announcement, the Board comprises one executive Director, namely, Ms. Yue'e Zhang; two non-executive Directors, namely Mr. Jiang Liwei and Mr. Lin Junshan; and three independent non-executive Directors, namely, Mr. Zhang Xingdong, Mr. Wang Xiaogang and Mr. Chen Geng.