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PW MEDTECH GROUP LIMITED

普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended June 30, 2022 amounted to approximately RMB214.2 million, representing an increase of 60.5% from approximately RMB133.5 million for the corresponding period in 2021.
- Gross profit for the six months ended June 30, 2022 amounted to approximately RMB121.1 million, representing an increase of 46.8% from approximately RMB82.5 million for the corresponding period in 2021.
- Profit for the period for the six months ended June 30, 2022 amounted to approximately RMB71.5 million, representing a decrease of 90.6% from approximately RMB761.1 million for the corresponding period in 2021, which included the one-off gain of RMB731.8 million recorded on disposal of CBPO shares (the “**One-off Disposal Gain in 2021**”). For illustration purpose, after excluding the impact of the One-off Disposal Gain in 2021, the profit for the period increased by 143.7% from approximately RMB29.3 million for the six months ended June 30, 2021 to approximately RMB71.5 million for the six months ended June 30, 2022.
- Profit attributable to owners of the Company for the six months ended June 30, 2022 amounted to approximately RMB60.6 million, representing a decrease of 92.0% from approximately RMB761.1 million for the corresponding period in 2021, which included the One-off Disposal Gain in 2021. For illustration purpose, after excluding the impact of the One-off Disposal Gain in 2021, the profit attributable to owners of the Company increased by 106.6% from RMB29.3 million for the six months ended June 30, 2021 to RMB60.6 million for the six months ended June 30, 2022.

In this announcement, “we”, “us” and “our” refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the “**Board**”) of directors (the “**Directors**”) of PW Medtech Group Limited (the “**Company**”) and, together with its subsidiaries, collectively the “**Group**”) is pleased to announce the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2022 (the “**Relevant Period**”), together with the comparative figures for the corresponding period in 2021 or other date/period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	214,249	133,492
Cost of sales		<u>(93,158)</u>	<u>(51,012)</u>
Gross profit		121,091	82,480
Other income/(losses)	6	42,263	(5,496)
Fair value loss on investment properties	14	(1,292)	(1,350)
Gain on disposal of assets held for sale		—	731,750
Selling and marketing expenses		(35,844)	(34,053)
General and administrative expenses		(42,732)	(26,919)
Provision for impairment loss recognised in respect of trade receivables	19	(3,163)	(4,093)
Research and development expenses		<u>(13,692)</u>	<u>(7,366)</u>
Operating profit		66,631	734,953
Finance income — net	7	<u>13,163</u>	<u>30,891</u>
Profit before income tax	8	79,794	765,844
Income tax expenses	9	<u>(8,309)</u>	<u>(4,755)</u>
Profit for the period		<u>71,485</u>	<u>761,089</u>

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		49,482	9,466
Change in fair value of financial assets at fair value through other comprehensive income		(2,993)	—
Reclassification from exchange differences reserve to profit or loss on			
— Disposal of an associate		<u>—</u>	<u>8,944</u>
Other comprehensive income for the period		<u>46,489</u>	<u>18,410</u>
Total comprehensive income for the period		<u>117,974</u>	<u>779,499</u>
Profit attributable to:			
Owners of the Company		60,628	761,091
Non-controlling interests		<u>10,857</u>	<u>(2)</u>
		<u>71,485</u>	<u>761,089</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		107,117	779,501
Non-controlling interests		<u>10,857</u>	<u>(2)</u>
		<u>117,974</u>	<u>779,499</u>
Earnings per share attributable to owners of the Company for the period			
(expressed in RMB cents per share)			
Basic earnings per share	<i>10</i>	<u>3.87</u>	<u>48.50</u>
Diluted earnings per share	<i>10</i>	<u>3.87</u>	<u>48.50</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June	31 December
		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Assets			
Non-current assets			
Property, plant and equipment	12	938,236	609,612
Right-of-use assets	13	27,975	18,124
Investment properties	14	297,050	298,342
Intangible assets	15	1,111,032	13,929
Goodwill	16	581,194	160,754
Deferred income tax assets		24,078	23,334
Long-term prepayments		4,137	7,653
Loan receivable	17	—	180,000
Financial asset at fair value through other comprehensive income	18	74,338	10,000
		<u>3,058,040</u>	<u>1,321,748</u>
Current assets			
Inventories		148,058	33,177
Loan receivable	17	180,000	—
Trade and other receivables	19	150,820	148,329
Amount due from related party	24(b)	14,012	—
Financial assets at fair value through profit or loss	20	6,680	127,001
Cash and cash equivalents		1,446,450	2,284,772
Total current assets		<u>1,946,020</u>	<u>2,593,279</u>
Total assets		<u>5,004,060</u>	<u>3,915,027</u>
Current liabilities			
Trade and other payables	21	139,271	96,473
Lease liabilities		3,209	2,442
Contract liabilities		3,448	—
Other borrowing		63,436	—
Tax payables		16,376	5,558
Total current liabilities		<u>225,740</u>	<u>104,473</u>
Net current assets		<u>1,720,280</u>	<u>2,488,806</u>

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		1,464	—
Deferred tax liabilities		161,394	2,161
Deferred government grants		<u>23,521</u>	<u>16,005</u>
Total non-current liabilities		<u>186,379</u>	<u>18,166</u>
NET ASSETS		<u>4,591,941</u>	<u>3,792,388</u>
Equity			
Share capital	22	963	965
Share premium		1,490,499	1,492,937
Treasury shares		(596)	—
Reserves		425,468	378,979
Retained earnings		<u>1,980,135</u>	<u>1,919,507</u>
Equity attributable to owners of the Company		3,896,469	3,792,388
Non-controlling interests		<u>695,472</u>	<u>—</u>
TOTAL EQUITY		<u>4,591,941</u>	<u>3,792,388</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL

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

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

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of Rules Governing the Listing of Securities on the Main Board of the Stock Exchange. These condensed consolidated interim financial statements were authorised for issue on 31 August 2022.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements.

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

These condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2021 annual consolidated financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2021 annual consolidated financial statements.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

3. CHANGE IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, as described therein.

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

Amendment to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRS 1, HKFRS 9, HKFRS 16 and HKFRS 41	Annual Improvements to HKFRSs 2018–2020

The new or amended HKFRSs that are effective from 1 January 2022 did not have any significant impact on the Group's accounting policies.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2021 annual financial statements.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

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

	For the six months ended 30 June 2022				For the six months ended 30 June 2021			
	Regenerative			Consolidated	Regenerative			Consolidated
Infusion Set Business	Blood Purification Business	Medical Biomaterials Business	RMB'000		Infusion Set Business	Blood Purification Business	Medical Biomaterials Business	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15								
Revenue from hospitals	17,573	913	—	18,486	20,158	—	—	20,158
Revenue from medical products distributors	99,214	96,549	—	195,763	113,334	—	—	113,334
Total	116,787	97,462	—	214,249	133,492	—	—	133,492

	For the six months ended 30 June 2022				For the six months ended 30 June 2021			
	Infusion Set Business	Blood Purification Business	Regenerative Medical Biomaterials Business	Consolidated	Infusion Set Business	Blood Purification Business	Regenerative Medical Biomaterials Business	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Timing of revenue recognition								
Point in time	116,787	97,462	—	214,249	133,492	—	—	133,492
Over time	—	—	—	—	—	—	—	—
Total	<u>116,787</u>	<u>97,462</u>	<u>—</u>	<u>214,249</u>	<u>133,492</u>	<u>—</u>	<u>—</u>	<u>133,492</u>
Geographical markets								
Mainland China	116,787	95,868	—	212,655	133,492	—	—	133,492
India	—	1,594	—	1,594	—	—	—	—
	<u>116,787</u>	<u>97,462</u>	<u>—</u>	<u>214,249</u>	<u>133,492</u>	<u>—</u>	<u>—</u>	<u>133,492</u>

Segment information

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

- the “Infusion Set” segment represents the sales of various medical device products, including infusion set products;
- the “Blood Purification” segment represents manufacturing and sales of blood purification products;
- the “Regenerative Medical Biomaterials” segment represents the R&D and manufacturing of animal-derived tissue regenerative medical biomaterials and human tissue repair alternative product.

Segment revenue and results

Analysis of the Group's segment revenue and results for the six months ended 30 June 2022 and 2021 is as follows:

	Infusion Set Business		Blood Purification Business		Regenerative Medical Biomaterials Business		Consolidated	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue from external customers	116,787	133,492	97,462	—	—	—	214,249	133,492
Segment results	23,679	27,245	29,701	—	(3,463)	—	49,917	27,245
Unallocated corporate income							41,637	742,929
Unallocated corporate expense							(11,760)	(4,330)
Profit before taxation							<u>79,794</u>	<u>765,844</u>

There was no inter-segment sales during the six months ended 30 June 2022 and 2021. The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit/(loss) from each segment without allocation of unallocated corporate income and expenses. This is the measure reported to the chief operating decision maker of the Company for the purposes of resource allocation and performance assessment.

6. OTHER INCOME/(LOSSES)

	Unaudited	
	Six months ended 30 June 2022	2021
	RMB'000	RMB'000
Government grants	2,807	543
Rental income	7,077	5,788
Rental management and utility income	7,347	5,730
Loss on guarantee liability (Note)	(364)	(364)
Net foreign exchange	26,776	(17,262)
Others	(1,380)	69
Other income/(losses) — net	<u>42,263</u>	<u>(5,496)</u>

Note:

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

After assessing the risk relating to the joint guarantee liability, the directors 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 30 June 2022 and 2021 represents the interest accrued for the period on the guarantee liability.

7. FINANCE INCOME — NET

Unaudited
Six months ended 30 June
2022 2021
RMB'000 *RMB'000*

Finance income

Interest income on short-term bank deposits
Loan interest income

5,920	29,561
<u>7,264</u>	<u>1,871</u>
13,184	31,432

Finance costs

Interest expenses on bank borrowings

<u>(21)</u>	<u>(541)</u>
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Finance income — net

<u>13,163</u>	<u>30,891</u>
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8. PROFIT BEFORE INCOME TAX

Unaudited
Six months ended 30 June
2022 2021
RMB'000 *RMB'000*

Provision for impairment loss on trade receivables
Amortisation of intangible assets
Depreciation of property, plant and equipment
Depreciation of right-of-use-assets
— Properties
— Leasehold land and land use right

3,163	4,093
7,427	1,608
23,398	13,658
211	18
<u>478</u>	<u>242</u>

9. TAXATION

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax		
PRC income tax for the period	(10,412)	(6,041)
Deferred income tax	<u>2,103</u>	<u>1,286</u>
Income tax expenses	<u>(8,309)</u>	<u>(4,755)</u>

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

(a) Cayman Islands profits tax

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

(b) Hong Kong profits tax

Companies incorporated in Hong Kong are subject to the Hong Kong profits tax at a rate of 16.5% (six months ended 30 June 2021: 16.5%).

(c) PRC corporate income tax (the “CIT”)

Under the Law of the PRC on CIT (the “CIT Law”) and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2021: 25%).

Four subsidiaries (six months ended 30 June 2021: two subsidiaries) of the Group have been qualified as “High and New Technology Enterprises” under the CIT Law. Therefore, they were entitled to a preferential income tax rate of 15% on their estimated assessable profits during the period (six months ended 30 June 2021: 15%). They will continue to enjoy the preferential tax rate in the subsequent periods, provided that they continue to be qualified as “High and New Technology Enterprises” during such periods.

(d) Withholding tax (“WHT”)

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

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

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period ended 30 June 2022.

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit attributable to owners of the Company	60,628	761,091
Weighted average number of ordinary shares in issue (thousands)	1,566,686	1,569,246
Basic earnings per share (RMB cents per share)	<u>3.87</u>	<u>48.50</u>

(b) Diluted

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

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit attributable to owners of the Company	60,628	761,091
Weighted average number of ordinary shares in issue (thousands)	1,566,686	1,569,246
Adjustments for:		
— Share options (thousands)	<u>24</u>	<u>4</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,566,710	1,569,250
Diluted earnings per share (RMB cents per share)	<u>3.87</u>	<u>48.50</u>

11. 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 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.

The board does not propose an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

12. PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
At beginning of period/year	609,612	698,441
Addition through the acquisition (<i>note 25</i>)	324,765	—
Additions	27,317	11,321
Disposals	(60)	(98)
Transfer to investment properties	—	(31,661)
Impairment loss	—	(40,691)
Depreciation	(23,398)	(27,700)
At end of period/year	<u>938,236</u>	<u>609,612</u>

During the Period, the Group acquired property, plant and equipment of approximately RMB27,317,000 (Six months ended 30 June 2021: RMB1,779,000) and disposed property, plant and equipment of approximately RMB60,000 during the period (Six months ended 30 June 2021: nil).

13. RIGHT-OF-USE ASSETS

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

	Properties <i>RMB'000</i>	Leasehold land and land use rights <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2021	18	22,447	22,465
Transfer to investment properties	—	(3,841)	(3,841)
Depreciation charge for the year	(18)	(482)	(500)
At 31 December 2021 (Audited) and 1 January 2022	—	18,124	18,124
Addition through the acquisition (<i>note 25</i>)	1,540	8,214	9,754
Addition	786	—	786
Depreciation charge for the period	(211)	(478)	(689)
At 30 June 2022 (Unaudited)	<u>2,115</u>	<u>25,860</u>	<u>27,975</u>

14. INVESTMENT PROPERTIES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
FAIR VALUE		
At beginning of period/year	298,342	274,740
Transferred from property, plant and equipment	—	31,661
Transferred from right-of-use assets	—	3,841
Fair value adjustment	<u>(1,292)</u>	<u>(11,900)</u>
At end of period/year	<u>297,050</u>	<u>298,342</u>

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 approximately 39,714.5 square meters construction area and No. 369, Xinhua Road, High-tech Zone, Shandong, with a construction area of approximately 25,542.28 square meters.

On 31 December 2021, the Group transferred certain of its property interest held under operating leases with carrying value of approximately RMB31,661,000 from property, plant and equipment and RMB3,841,000 from right-of-use assets to investment properties which located at Shandong.

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

The fair value of the Group's investment properties as at 30 June 2022 was approximately RMB297,050,000 (31 December 2021: RMB298,342,000).

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

	30 June 2022	31 December 2021
Occupancy rate	60.0% to 90%	60.0% to 90%
Rental growth rate	3.0%	3.0%
Discount rate	6.0%	6.0%

The fair value of the investment property at 30 June 2022 and 31 December 2021 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the period.

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

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

	30 June 2022 RMB'000
Discount rate increased by 1%	(41,620)
Expected occupancy rate decreased by 3%	(13,950)
Rental growth rate decreased by 0.5%	(31,630)

15. INTANGIBLE ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At beginning of period/year	13,929	17,144
Addition through the acquisition (<i>note 25</i>)	1,102,364	—
Addition	2,166	—
Amortisation charge	(7,427)	(3,215)
At end of period/year	<u>1,111,032</u>	<u>13,929</u>

16. GOODWILL

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Carrying amount		
At beginning of period/year	160,754	160,754
Addition through the acquisition (<i>note 25</i>)	420,440	—
At end of period/year	<u>581,194</u>	<u>160,754</u>

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

The management is in the opinion that the Infusion Set Business and Blood Purification Business have operating profit during the period. As at 30 June 2022 and 31 December 2021, management determines that there is no impairment on goodwill.

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

	Goodwill carrying amount	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Infusion Set Business	160,754	160,754
Blood Purification Business	323,540	—
Regenerative Medical Biomaterials Business	96,900	—
	<u>581,194</u>	<u>160,754</u>

17. LOAN RECEIVABLE

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

Impairment assessment

It is considered to be low risk as the loans are collateralised by the real properties owned by the Borrower located in Beijing with fair value amounted RMB254,344,000 and therefore the impairment provision is determined as 12 months expected credit losses. As at 30 June 2022 and 31 December 2021, the management assess that the effect of applying the expected credit risk model on loan receivable was immaterial.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current asset		
Unlisted investment fund (note a)	9,534	10,000
Listed equity securities (note b)	<u>64,804</u>	<u>—</u>
	<u><u>74,338</u></u>	<u><u>10,000</u></u>

Note:

- (a) On 15 May 2021, the Company's wholly owned subsidiary, PW Medtech (Beijing) Limited entered into a Limited Partnership Agreement (the "Agreement") to subscribe for the interests in the 分宜昊達投資合夥企業(有限合夥) ("分宜昊達"), as a limited partner, in the total amount of RMB20,000,000. Amount of RMB10,000,000 required capital contribution of the investment was paid during the year ended 31 December 2021. The underlying assets of the 分宜昊達 represent a private equity fund of investing into medical industry.

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

The directors of the Company have determined the fair value of the remaining interest held in the Fund as at 30 June 2022 with reference to the valuation report issued by Flagship Appraisals and Consulting Limited, an independent professional valuer who has professional qualifications and relevant experience. The fair value of the Fund is determined by market approach, with references to comparable companies benchmark multiples.

- (b) During the six months ended 30 June 2022, the Group has subscribed for 10,866,095 shares of Lepu Biopharma Co., Ltd. ("Lepu") at approximately RMB67,331,000 and resulted in a fair value loss of approximately RMB2,527,000 reclassified from fair value reserve to retained earnings.

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

19. TRADE AND OTHER RECEIVABLES

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables (i)	89,130	89,620
Bills receivable (ii)	645	1,051
Prepayments and deposits	23,092	9,116
Value added tax recoverable	17,107	19,630
Other receivables	20,249	18,614
Loan and loan interest receivables	597	10,298
	<u>150,820</u>	<u>148,329</u>

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

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Up to 3 months	22,533	30,120
3 months to 6 months	23,426	14,858
6 months to 12 months	16,004	21,736
1 year to 2 years	10,685	16,567
2 years to 3 years	16,482	6,339
	<u>89,130</u>	<u>89,620</u>

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

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

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

(iii) Impairment assessment

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

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

30 June 2022	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	3.84	1.72	96.61	35.66
Gross carrying amount	27,292	33,358	18,263	45,827
Loss allowance	1,049	573	17,644	16,344
31 December 2021	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	5.07	1.51	88.31	31.55
Gross carrying amount	23,573	33,674	18,082	46,696
Loss allowance	1,195	508	15,969	14,733

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

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

	<i>RMB'000</i>
Balance at 1 January 2021	34,818
Reversal of impairment losses recognised during the year	<u>(2,413)</u>
Balance at 31 December 2021	32,405
Additional impairment losses through acquisition of subsidiary	42
Provision for impairment losses recognised during the period	<u>3,163</u>
Balance at 30 June 2022	<u><u>35,610</u></u>

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Wealth management products		
— non-principal protected (<i>note</i>)	<u>6,680</u>	<u>127,001</u>

During the year ended 31 December 2021, net gain change in fair value of RMB1,000 are recognised in profit or loss.

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At beginning of period/year	127,001	—
Addition through the acquisition	7,330	—
Addition	23,400	392,001
Disposal	<u>(151,051)</u>	<u>(265,000)</u>
At end of period/year	<u>6,680</u>	<u>127,001</u>

21. TRADE AND OTHER PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	50,341	10,577
Salary and staff welfare payables	18,695	22,312
Advances from customers	11,997	16,298
Deposits received	5,123	2,139
Value added tax and other taxes	15,333	4,075
Professional service fee	2,408	10,188
Provision for loss from guarantee liability (<i>Note 6(a)</i>)	22,642	19,214
Deferred government grants-current portion	642	642
Other payables	<u>12,090</u>	<u>11,028</u>
	<u>139,271</u>	<u>96,473</u>

As at 30 June 2022 and 31 December 2021, except for the advances from customers, deposit received, value added tax and other taxes and deferred government grants which are not financial liabilities, all trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Up to 6 months	35,023	6,667
6 months to 12 months	5,484	529
Over 1 year	7,385	349
2 years to 3 years	323	382
Over 3 years	<u>2,126</u>	<u>2,650</u>
	<u>50,341</u>	<u>10,577</u>

22. SHARE CAPITAL

	Number of ordinary shares	Share capital RMB'000
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 1 January 2022	1,569,246,098	965
Cancellation of shares	<u>(2,778,000)</u>	<u>(2)</u>
At 30 June 2022	<u>1,566,468,098</u>	<u>963</u>

During the period ended 30 June 2022, 3,278,000 ordinary shares were repurchased, of which 500,000 ordinary shares have not yet cancelled.

23. CAPITAL COMMITMENTS

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Commitments for the:		
Capital contribution on an unlisted investment fund (note 18)	10,000	10,000
Acquisition of property, plant and equipment	<u>2,655</u>	<u>16,730</u>

24. RELATED PARTY DISCLOSURES

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Related party transactions		
Sales to a related party	<u>1,178</u>	<u>—</u>

- (b) As at 30 June 2022, due from a related party included a balance of RMB14,012,000 (31 December 2021: RMB Nil).

Compensation of key management personnel

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Salaries and other allowances	<u>2,568</u>	<u>2,605</u>

25. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

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

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

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

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

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

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

The acquired business contributed revenue of approximately RMB97,462,000 and net profit after income tax of approximately RMB24,784,000 for the period from 1 March 2022 to 30 June 2022.

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

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

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

The acquisition was completed on 29 April 2022. Beijing Ruijian Biological is a biotechnology company, principally engaged in the R&D of the regenerative medical biomaterials in the PRC.

Details of the acquisition are summarised as follows:

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

	<i>RMB'000</i> (Unaudited)
Plant and equipment	3,488
Right-of-use assets	1,326
Intangible assets	855,377
Inventories	2,277
Trade and other receivables	2,006
Financial assets at fair value through profit or loss	7,330
Cash and cash equivalents	170,114
Trade and other payables	(650)
Other borrowings	(83,019)
Lease liabilities	(1,412)
Deferred revenue	(4,000)
Deferred tax liabilities	<u>(119,021)</u>
 Total identifiable net assets	 833,816
Non-controlling interests	(348,184)
Goodwill	<u>96,900</u>
 Total consideration	 <u>582,532</u>
 Total consideration satisfied by:	
Cash	<u>582,532</u>
 Acquisition-related costs (included in administrative expenses)	 <u>3,967</u>

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

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

The acquired business contributed nil revenue and net loss after income tax of approximately RMB3,463,000 for the period from 30 April 2022 to 30 June 2022.

26. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Financial assets		
— at amortised cost	1,751,083	2,584,355
— at fair value through profit or loss	6,680	127,001
— at fair value through other comprehensive income	74,338	10,000
	<u>1,832,101</u>	<u>2,721,356</u>
Financial liabilities		
Financial liabilities at amortised cost	<u>173,060</u>	<u>75,761</u>

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.

	30 June 2022		
	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	<u>64,804</u>	<u>—</u>	<u>9,534</u>

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

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

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

27. EVENT AFTER REPORTING PERIOD

Except as disclosed elsewhere in the interim condensed consolidated financial statements, no significant event took place subsequent to 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

In the first half of 2022, with the resurgence of pandemic in various major cities in China, the domestic economy was affected to a certain extent, adding further pressure on the economic recovery. The demand for medical consultation remained depressed, which has posed challenges to the development of the medical industry. Against the backdrop of the normalization of the pandemic, the Chinese government has put more emphasis on precision pandemic prevention and control measures and imposed stricter requirements on research and development (“**R&D**”) and innovation capabilities, quality control and management capability of enterprises, marking the reshaping of the industrial competition landscape in the long run, which was conducive to the long-term healthy development of the industry. Looking forward, with the acceleration of ageing population, the extended coverage of government’s medical insurance reimbursement and the gradual popularization of commercial insurance in China, the payment ability of patients may be further enhanced, and the medical device industry is expected to maintain steady growth in the future.

On the global scale, the medical device industry gradually demonstrated its unique sector value and resilience under the challenges the global public health faces. The sales of the global medical device industry is expected to reach approximately US\$800 billion in 2030. As for the domestic market, the Chinese government has attached more importance to the independent innovation and R&D of the medical device industry in recent years. Favourable policies for the industry development were also introduced successively. In January 2022, the State Council promulgated the “14th Five-Year Plan for Market Regulation Modernisation” (「十四五」市場監管現代化規劃), which defined and improved the fast-track approval mechanism for areas such as innovative drugs and medical devices with an aim to expedite the approval for drugs with urgent clinical needs and those used for treatment of rare diseases, thereby ushering the medical industry into a new phase of high-quality development with accelerated innovation-driven development, further modernization of the industrial chain and high level of integration with the global industrial system.

PW Medtech is a leading medical device company in China focusing on fast-growing and high-margin segments of China’s medical device industry. In the first half of 2022, upon completion of the relevant acquisitions, the Group newly integrated the business of the R&D, manufacturing and sales of hemodialysis and blood purification medical devices (the “**Blood Purification Business**”) and the business of the R&D and manufacturing of regenerative medical biomaterial products (the “**Regenerative Medical Biomaterial Business**”), which, together with the existing business of the R&D, manufacturing and sales of advanced infusion sets, intravenous cannula products, insulin needles etc. (the “**Infusion Set Business**”), constitute the Group’s three existing business segments.

In February 2022, the Group completed the acquisition of 51% equity interests in Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司) (“**Sichuan Ruijian Medical**”) and successfully expanded into the hemodialysis and blood purification industry. Sichuan Ruijian Medical is a leading medical device company in China, which principally engaged in the R&D, manufacturing and sales of medical devices for blood purification. Its products include hemodialyzer, hemodiafilter

and hemoperfutor. The company possesses a number of proprietary intellectual property rights, and masters the best formula for polyethersulfone hollow fibre membrane, the core raw material for hemodialyzer. Sichuan Ruijian Medical also engages in the whole process of independent research, development, design and manufacturing of the production lines from initial spinning to back-end assembling, making it a pioneer in the domestic hemodialysis consumables sector. Sichuan Ruijian Medical's high flux hemodialyzer was the first domestic product to obtain registration certificate in China, and its hemodiafilter was among the first batch of domestic products to pass the priority evaluation. The market share of its products topped the nation and were sold to various regions overseas.

In April 2022, the Group completed the equity acquisition and capital increase of Beijing Ruijian High-Tech Biological Technology Co., Ltd (北京瑞健高科生物科技有限公司) (“**Beijing Ruijian Biological**”). Upon completion of the transaction, the Group owned 58.2% equity interests in Beijing Ruijian Biological, and further expanded its business to the regenerative medical biomaterials sector. Beijing Ruijian Biological is an innovative biological technology company which adopts the latest generation of tissue regenerative material technology for the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative product. Beijing Ruijian Biological has a robust product pipeline, the future application scenarios of which cover a wide range of medical and medical cosmetic fields, including herniorrhaphy, burns and scalds, oral repairing, breast reconstruction and injection cosmetology.

As of June 30, 2022, the Group's revenue amounted to approximately RMB214.2 million, representing an increase of 60.5% over the corresponding period of the previous year. The gross profit amounted to approximately RMB121.1 million, representing an increase of 46.8% over the corresponding period of the previous year. The overall gross profit margin for the period amounted to approximately 56.5%. The profit attributable to owners of the Company amounted to approximately RMB60.6 million, representing a decrease of 92.0% over the corresponding period of the previous year. For illustration purpose, after excluding the impact of the One-off Disposal Gain in 2021, the profit attributable to owners of the Company increased by 106.6% from RMB29.3 million for the six months ended June 30, 2021 to RMB60.6 million for the six months ended June 30, 2022.

Although the reform of centralized bulk procurement pushed forward by the Chinese government has posed challenges to the medical industry and the Group, the demand for clinical services was fully unleashed as centralized procurement has stepped into a new stage of regular and institutionalized development. The Company believes that centralized bulk procurement will steer the transition of the medical industry from high-speed growth to high-quality development, at the same time enhancing the clinical standard of the medical industry throughout China.

As a leader in China's medical device industry, the Group continued to improve quality control of its products, expand product R&D and enhance its own strengths, so as to actively provide strong support to the industry. Given that pandemic prevention and control became a part of the normal operation, the Group monitored the market closely, capitalized on the favorable policies and fine-tuned business strategies in a timely manner, thereby maintaining its leading position in China's medical device industry.

Business Strategies and Future Outlook

In terms of industrial development, China's medical device market is expected to expand and maintain rapid growth continuously. According to iiMedia Research, it is estimated that the market size of the medical device industry in China will reach RMB1,252.9 billion by 2022 and RMB1,841.4 billion by 2025.

From the perspective of policies, China has continued to promulgate new policies to help the sector thrive. For instance, the "14th Five Year Plan" proposes to optimize the multi-tiered social security system and implement the "Healthy China" initiative in all aspects. It also outlines the overall strategic goals for the medical and healthcare sector, such as actively developing commercial health insurance services, strengthening the public primary healthcare system, accelerating the capacity expansion of high-quality medical resources, and expediting the balancing of the regional allocation of medical resources. As a result, China's medical device industry is believed to have large room for future growth.

Chinese products have become increasingly innovative and competitive in recent years. Against this backdrop, China has offered greater support to domestically-produced medical devices. In 2021, the State Council issued the "Guiding Opinions on Promoting the Sound Development of the Pharmaceutical Industry" (關於促進醫藥產業健康發展的指導意見), which specified that the government shall, in principle, procure domestically-produced medical devices if such products meet the requirements. Thus, it is expected that the market share of domestic products will grow steadily.

In addition, the construction of new medical infrastructure also provides a solid foundation for the healthy development of the industry in the long run. Since 2020, China has entered a new stage of medical infrastructure and increased the building of intensive care unit wards, infectious disease hospitals and fever clinics. In April 2022, the National Development and Reform Commission and other two ministries published the "Notice of Orderly Expanding the Construction Work Plan for National Regional Medical Centers" (有序擴大國家區域醫療中心建設工作方案的通知), which required national regional medical centers to be set up in all Chinese provinces by the end of 2022. Given that new county-level medical infrastructure is being developed, domestically-produced medical devices are more likely to gain market share and business growth in lower-tier cities as compared to imported products.

PW Medtech has been focusing on China's fast-growing and high-margin medical device market. It strives to support the upgrade of the industry by promoting product innovation and R&D, expanding manufacturing capacity and product portfolio, and optimizing its business layout. In the first half of 2022, the Group completed the acquisition of Sichuan Ruijian Medical and Beijing Ruijian Biological. Both of these new business segments have a long runway for growth and a bright prospect.

Data shows that China's hemodialysis market size is growing steadily along with the rising risk of kidney diseases, diabetes and high blood pressure. It is expected that the market size will reach RMB70 billion by 2025. As part of the upstream industry chain, hemodialysis equipment, drugs and consumables will create a market of nearly RMB30 billion. By fully integrating various resources from

the acquisitions, the Blood Purification Business segment can expedite the expansion of the sales networks for hemoperfutors and other new products. It can also take advantage of industry competition to increase market share, which allows it to consolidate its market position and sufficiently cope with the significant market demand.

For the Regenerative Medical Biomaterials Business segment, the market demand is on the rise due to the accelerating aging population, rapid economic development and higher living standards in China and the world. At the same time, China has been introducing regulations on medical biomaterials. In particular, the “Made in China 2025” program sets to “actively pursue ground-breaking development of biopharmaceutical and high-performance medical devices”. Under this policy guidance, the regenerative biomaterials sector should have the greatest potential for development and it is expected to maintain a growth rate of over 20%. Leveraging the capital contribution from the Group after the acquisitions and the resources allocated for R&D, marketing and administration purposes, the regenerative medical biomaterials segment should be able to accelerate commercialization and become a new growth driver of the Group.

As for the Infusion Set Business segment, the Group focuses on the main businesses of infusion sets and intravenous cannulas. It also continues to expand into the diabetes therapy sector by actively facilitating the launch and promotion of insulin injection needles and pens. In addition, it continues to conduct R&D of medical devices for other therapy sectors so as to improve the business layout.

As of June 30, 2022, the Group has obtained 43 registration certificates for products, covering, among others, infusion set, intravenous cannula, intestinal feeding device, insulin injection pen, blood transfusion set, hemodialyzer, hemodiafilter, hemoperfutor and biologic patch. Capitalizing on years of extensive experience and strict quality control, the Group will continue to develop new technology and make contributions to China’s medical device sector in the future. By introducing more safe and reliable innovative products, it will showcase China’s strengths in the medical device sector.

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.

As of June 30, 2022, the Group owned 166 patents for products, including 116 patents in relation to advanced infusion set products, 30 patents for hemodialysis products and 20 patents for regenerative medical biomaterial products, and had applied for 35 new patents.

The Group continued to conduct R&D of new products, and is now developing a leading disposable dialysis cannula in China. This project will facilitate the transformation of the Group from intravenous to intraarterial treatment. The Group has submitted registration application for the product. Besides, the Group also carried out ongoing development and optimization regarding the materials and functions of hemodialysis products so as to expand its existing product lines. In terms of regenerative medical biomaterial sector, with continuous investment in R&D resources, the Group obtained the registration

certificate of biological patch in the first half of 2022, and has submitted registration application for biological dressing products. The clinical trial patient follow-up evaluation for oral cavity repair membrane product has been completed, while the clinical trial patient follow-up evaluation for breast tissue patch is expected to be completed in 2022.

The Group will remain focused on product innovation and R&D. Following the strategic approach of “produce and focus our R&D efforts for a leading next generation of products”, it will focus on the safety and effectiveness as well as R&D and innovation of medical devices so as to enhance the overall competitiveness of the Company 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 across China, and the promotion of products from all business segments. On July 5, 2022, PW Medtech entered into the sales of medical devices framework agreement with Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司) (“**Lepu Medical**”) to sell medical devices, including various products such as dialyzers, infusion sets, intravenous cannulas, insulin injection needles and insulin injection pens, and provide processing services to Lepu Medical. The cooperation with Lepu Medical further expanded the sales network of the Group, particularly its overseas sales channels. The Group continued to optimize its sales channels and expand its distribution network on an ongoing basis. The Group also actively increased the market share of the Company’s products in both the centralized procurement market and non-centralized procurement market, at the same time timely adjusting its bidding strategies in line with national medical policies to consolidate the Company’s leading position in the market, thereby realizing rapid growth in sales.

Strategic Acquisitions

By seizing the strategic development opportunities in the industry, the Group made proactive efforts to carry out its strategic layout projects. During the first half of 2022, the Group successfully completed the acquisitions of Sichuan Ruijian Medical and Beijing Ruijian Biological. Through these acquisitions, the Company further expanded its product portfolio to the fields of blood purification and regenerative medical biomaterial. Besides, the Group created synergy with the acquisition projects by leveraging its advantages in R&D, innovation and sales channels, which was conducive to not only boosting business growth and network expansion, but also expanding product pipeline and revenue streams. In the future, the Group will continue to seek merger and acquisition (“**M&A**”) and investment projects with promising outlook and potential for sustainable growth. It will also look for investment and M&A targets that can bring synergy, while promoting market-oriented development and sustainability. Through M&A activities, it will achieve integration of resources advantages for satisfactory return on investment.

Financial Review

Overview

	Six months ended June 30,		Change
	2022	2021	
	RMB'000	RMB'000	
Revenue			
— Infusion Set Business	116,787	133,492	-12.5%
— Blood Purification Business	97,462	—	N/A
Total Revenue	214,249	133,492	60.5%
Gross profit	121,091	82,480	46.8%
Gain on disposal of assets held for sale	—	731,750	N/A
Profit for the period	71,485	761,089	-90.6%
Profit attributable to owners of the Company	60,628	761,091	-92.0%

Revenue

The revenue of the Group increased by 60.5% from approximately RMB133.5 million for the six months ended June 30, 2021 to approximately RMB214.2 million for the Relevant Period, as a result of the additional revenue contributed by the newly acquired subsidiaries of the Blood Purification Business since the completion of the acquisition on February 28, 2022, offset by the decrease in sales of the Infusion Set Business.

Revenue from the Blood Purification Business for the four-month period ended June 30, 2022 (the period immediately after the completion of the acquisition during the Relevant Period) amounted to approximately RMB97.5 million, which accounts for approximately 45.5% of the Group's revenue for the six months ended June 30, 2022.

According to the unaudited management accounts of the relevant subsidiaries comprising the Blood Purification Business for the six months ended June 30, 2022 prepared under Hong Kong Financial Reporting Standards (“**HKFRS**”), revenue of the Blood Purification Business for the six months ended June 30, 2022 was approximately RMB147.3 million, which increased by 25.6% compared to approximately RMB117.3 million for the six months ended June 30, 2021. The increase is mainly contributed by the increase in sales volume as a result of increased market demand and the expansion of sales network.

Comparing to the Blood Purification Business, the sales of the Infusion Set Business is more sensitive to the changes in hospital traffic caused by pandemic restriction measures. Revenue from the Infusion Set Business amounted to approximately RMB116.8 million for the six months ended June 30, 2022,

representing a decrease of 12.5% from the six months ended June 30, 2021. The decrease was mainly due to the decrease in sales volume as a result of resurgence of COVID-19 pandemic in various major cities in China during the Relevant Period.

Gross Profit

The Group's gross profit increased by 46.8% from approximately RMB82.5 million for the six months ended June 30, 2021 to approximately RMB121.1 million for the Relevant Period. The gross profit margin decreased from 61.8% for the six months ended June 30, 2021 to 56.5% for the Relevant Period, which is primarily attributable to the acquisition of the Blood Purification Business with a lower gross margin of 51.0% for the Relevant Period, together with the slight decrease of gross profit margin of the Infusion Set Business. The decrease of gross profit margin of the Infusion Set Business was mainly due to the slight increase in unit fixed cost as the sales volume declined.

Selling and Marketing Expenses

Selling and marketing expenses increased by 5.3% from approximately RMB34.1 million for the six months ended June 30, 2021 to approximately RMB35.8 million for the Relevant Period. This increase was mainly attributable to the additional selling expense incurred by the newly acquired Blood Purification Business, which was partially offset by the decrease of labor cost as a result of the restructure of distribution network of the Infusion Set Business.

General and Administrative Expenses

General and administrative expenses increased by 58.7% from approximately RMB26.9 million for the six months ended June 30, 2021 to approximately RMB42.7 million for the Relevant Period. The increase was mainly attributable to the additional administrative expenses incurred by the newly acquired Blood Purification Business.

Provision for Impairment Losses Recognized in respect of Trade Receivables

Provision for impairment losses recognised in respect of trade receivables amounted to approximately RMB3.2 million for the Relevant Period. It decreased by approximately RMB0.9 million from approximately RMB4.1 million for the six months ended June 30, 2021. The detailed information regarding the impairment losses recognised in respect of trade receivables could be found in Note 19 to the condensed consolidated interim financial statements.

R&D Expenses

R&D expenses increased by 85.9% from approximately RMB7.4 million for the six months ended June 30, 2021 to approximately RMB13.7 million for the Relevant Period, which was mainly due to the R&D expenses incurred by the newly acquired Blood Purification Business and Regenerative Medical Biomaterial Business.

Other Income/(Losses) — Net

Net other income was approximately RMB42.3 million for the Relevant Period, as compared with net other losses of approximately RMB5.5 million for the six months ended June 30, 2021. The change was mainly due to: (i) the net foreign exchange gain amounted to RMB26.8 million for the Relevant Period caused by the fluctuation of the exchange rate for the US dollar deposits denominated in RMB, while a net foreign exchange loss amounted to RMB17.3 million was recorded for the six months ended June 30, 2021; and (ii) the other income contributed by the newly acquired Blood Purification Business.

Gain on Disposal of Assets Held for Sale

The Group had a gain on disposal of assets held for sale of approximately RMB731.8 million for the six months ended June 30, 2021, being the capital gain from the disposal of all the remaining 3,750,000 shares of China Biologic Products Holdings, Inc. (“CBPO”) completed in January 2021 (the “**One-off Disposal Gain in 2021**”). For the six months ended June 30, 2022, the Group’s gain on disposal of assets held for sale was nil.

Fair Value Loss on Investment Properties

Fair value loss on investment properties was approximately RMB1.3 million for the Relevant Period (for the six months ended June 30, 2021: RMB1.4 million). The loss was mainly due to decline in the rental market in an epidemic environment.

Operating Profit

Operating profit was approximately RMB735.0 million for the six months ended June 30, 2021, which included the One-off Disposal Gain in 2021. For illustration purpose, after excluding the impact of the One-off Disposal gain in 2021, the operating profit increased by RMB63.4 million from approximately RMB3.2 million for the six months ended June 30, 2021 to approximately RMB66.6 million for the Relevant Period, mainly due to: (i) the additional operating profit generated by the newly acquired Blood Purification Business which amounted to RMB29.4 million, offset by the additional operating loss generated by the newly acquired Regenerative Medical Biomaterial Business which amounted to RMB3.7 million; and (ii) the change from other losses which amounted to RMB5.5 million to other gains which amounted to RMB38.5 million as a result of the fluctuation of foreign currencies of the Infusion Set Business.

Finance Income — Net

Net finance income decreased by 57.4% from approximately RMB30.9 million for the Relevant Period to approximately RMB13.2 million for the six months ended June 30, 2021, which was mainly due to the decline in the average balance of bank deposits as a result of the cash considerations paid by the Group upon the completion of the relevant acquisitions during the Relevant Period.

Income Tax Expenses

Income tax expenses increased by 74.7% from approximately RMB4.8 million for the six months ended June 30, 2021 to approximately RMB8.3 million for the Relevant Period, which was mainly due to the additional income tax expenses incurred by the newly acquired Blood Purification Business.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company was approximately RMB761.1 million for the six months ended June 30, 2021, which included the One-off Disposal Gain in 2021. For illustration purpose, after excluding the impact of the One-off Disposal gain in 2021, profit attributable to owners of the Company increased by RMB31.3 million from approximately RMB29.3 million for the six months ended June 30, 2021 to approximately RMB60.6 million for the Relevant Period. The increase was mainly due to increases of operating profit and the income tax expenses, partially offset by the decrease of finance income.

Trade and Other Receivables

The Group's trade receivables primarily comprised the outstanding payment from credit sales. As of June 30, 2022, the trade and other receivables of the Group was approximately RMB150.8 million, representing an increase of approximately RMB2.5 million as compared to approximately RMB148.3 million as of December 31, 2021, which mainly reflects the incremental from the trade and other receivables balances for newly acquired Blood Purification Business and Regenerative Medical Biomaterial Business, offset by the decrease of trade receivables of the Infusion Set Business as a result of the provision of impairment allowance of trade receivables and collection of trade and other receivables.

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

The Group reviews the financial performance of the customers with long aging receivables periodically and revises the credit terms granted to the customers based on credit risk analysis. Besides review of account receivables, the management may also use letter of collection and lawyer's letter to collect the receivables. The Group would also negotiate with customers to explore the use of debt agreement if there are higher risk of recoverability. In some circumstances, the internal legal department of the Group would be involved in collection of receivables to explore the availability of legal actions, and to issue formal communication to the customer before escalating the actions. Out of the trade receivables aged over 6 months which amounted to approximately RMB44.6 million at December 31, 2021, a total of approximately RMB19.6 million was subsequently received up to June 30, 2022.

As at June 30, 2022, the Group had made loss allowances of approximately RMB35.6 million (as at December 31, 2021: RMB32.4 million) on the trade receivables with a gross amount of approximately RMB124.7 million (as at December 31, 2021: RMB122.0 million).

Inventories

Inventories increased by 346.3%, from approximately RMB33.2 million as at December 31, 2021 to approximately RMB148.1 million as at June 30, 2022, which was mainly due to the additional inventories of the newly acquired Blood Purification Business, together with the increase in inventories of Infusion Set Business caused by slowdown of the sales and increase in stock of raw materials and finished goods to meet potential market demand for the second half of the year.

Property, Plant and Equipment

Property, plant and equipment mainly include buildings and facilities, machinery and equipment and construction in progress. As at June 30, 2022, the property, plant and equipment of the Group amounted to approximately RMB938.2 million, representing an increase of approximately RMB328.6 million as compared to approximately RMB609.6 million as at December 31, 2021. The increase was mainly due to the additional property, plant and equipment of the newly acquired Blood Purification Business and Regenerative Medical Biomaterial Business.

Investment Properties

Investment properties, mainly comprising factories and offices, are held by the Group for long-term rental yields, which are located at No. 23 Panlong West Road, Pinggu District, Beijing, with a construction area of approximately 39,714.5 square meters and No. 369, Xinhua Road, High-tech Zone, Shandong, with a construction area of approximately 25,542.28 square meters. As at June 30, 2022, the investment properties of the Group amounted to approximately RMB297.1 million, decreased by RMB1.3 million compared to approximately RMB298.3 million as at December 31, 2021. The decrease was due to the recognition of the fair value loss on investment properties of RMB1.3 million for the Relevant Period.

Intangible Assets and Goodwill

The Group's intangible assets mainly include technology know-how, trademarks, computer software and customer relationship. The Group's goodwill, technology know-how, trademarks and customer relationships are mainly identified and recorded during the purchase accounting process for the acquisitions of subsidiaries.

As at June 30, 2022, the net value of the Group's intangible assets was approximately RMB1,111.0 million, representing an increase of RMB1,097.1 million as compared to approximately RMB13.9 million as of December 31, 2021. As at June 30, 2022, the net value of the Group's goodwill was approximately RMB581.2 million, representing an increase of RMB420.4 million as compared to approximately RMB160.8 million as of December 31, 2021. The increase was primarily due to (i) the increase in goodwill of RMB323.5 million, and the development cost and customer relationships of RMB247.0 million identified separately from the consideration paid for the acquisition of Sichuan Ruijian Medical in accordance with HKFRS; and (ii) the increase in goodwill of RMB96.9 million, and the development cost of RMB855.4 million identified separately from the consideration paid for the acquisition of Beijing Ruijian Biological in accordance with HKFRS.

The intangible assets are amortised with straight line method for 10–25 years. The amortization of the intangible assets identified from the consideration paid for the acquisition of Sichuan Ruijian Medical Group for the four months ended June 30, 2022 was approximately RMB5.4 million, which was included in the general and administrative expenses. The intangible assets identified from the consideration paid for the acquisition of Beijing Ruijian Biological will be amortised from the finishing time of the related R&D projects. The goodwill is subject to impairment test at each period end.

Loan Receivable

As at June 30, 2022, the Company’s loan receivable was approximately RMB180.0 million which was a loan granted to an independent third party on April 12, 2021 as disclosed in the announcement of the Company dated April 12, 2021. The detailed information regarding the loan receivable could be found in Note 17 to the condensed consolidated interim financial statements.

Financial Assets at Fair Value through Other Comprehensive Income

As at June 30, 2022, the Group’s financial assets at fair value through other comprehensive income was approximately RMB74.3 million (December 31, 2021: RMB10.0 million). The increase was due to the Group’s investment in the H shares of Lepu Biopharma Co., Ltd., (樂普生物科技股份有限公司) (“**Lepu Biopharma**”) in February 2022. The detailed information regarding the financial assets could be found in Note 18 to the condensed consolidated interim financial statements.

Financial Resources and Liquidity

As at June 30, 2022, the Group’s cash and bank balances amounted to approximately RMB1,446.5 million (December 31, 2021: RMB2,284.8 million). As at June 30, 2022, the Group’s other borrowing balance was approximately RMB63.4 million (December 31, 2021: nil). The decrease in cash and bank balances was primarily due to the cash consideration paid for the acquisition of Sichuan Ruijian Medical and Beijing Ruijian Biological as well as the investment in Lepu Biopharma.

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

Pledge of Assets

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

Commitments

As of June 30, 2022, the Group had a total capital commitment of approximately RMB12.7 million (December 31, 2021: RMB26.7 million), comprising mainly contracted capital expenditure for acquisition of an investment and property, plant and equipment.

Capital Expenditure

During the Relevant Period, the Group incurred capital expenditure of approximately RMB27.3 million (for the six months ended June 30, 2021: RMB1.8 million) on the expansion of the plants and procurement of equipments.

Gearing Ratio

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

	As at June 30, 2021 RMB'000	As at December 31, 2021 RMB'000
Total borrowing	63,436	—
Total equity	4,591,941	3,792,388
Total capital	4,655,377	3,792,388
Gearing ratio	1.36%	—

Foreign Exchange Risk

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

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

As at June 30, 2022, it was estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would decrease or increase the Group's profit for the Relevant Period by approximately RMB476,000 (for the six months ended June 30, 2020: nil).

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

Credit Risk

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

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

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

HUMAN RESOURCES

As at June 30, 2022, the Group had a total of approximately 1,164 employees (December 31, 2021: 748 employees). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The Group has designed an evaluation system to assess the performance of its employees. This system forms the basis of the Group's determination on employees' salaries, bonuses and promotions. We believe the salaries and bonuses that the Group's employees received are competitive with market rates. Under applicable PRC laws and regulations, the Group is subject to social insurance contribution plans, work-related injury insurance and maternity insurance schemes.

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Relevant Period (for the six months ended June 30, 2021: nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company (the “**Shareholders**”) as a whole. The Company has adopted the code provisions as set out in the “Corporate Governance Code” (the “**CG Code**”) as contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code to govern its corporate governance practices.

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

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. Currently, Ms. Yue’e Zhang performs both the roles of the chairman of the Board and the 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 own code of conduct regarding dealings in the securities of the Company by each of the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

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

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

During the Relevant Period, the Company repurchased on the Stock Exchange a total of 3,614,000 Shares at a total consideration of approximately HK\$3,498,820. Out of which, 2,778,000 Shares had been cancelled on March 2, 2022. Details of the Share repurchases are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
January, 2022	2,778,000	1.05	0.93	2,804,310
April, 2022	500,000	0.86	0.81	421,790
May, 2022	336,000	0.83	0.78	272,720

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

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

Auditor

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.pwmedtech.com. The interim report of the Company for the Relevant Period containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

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 associates for their trust and support.

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

Hong Kong, August 31, 2022

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. Wang Xiaogang, Mr. Chen Geng and Ms. Wang Fengli.