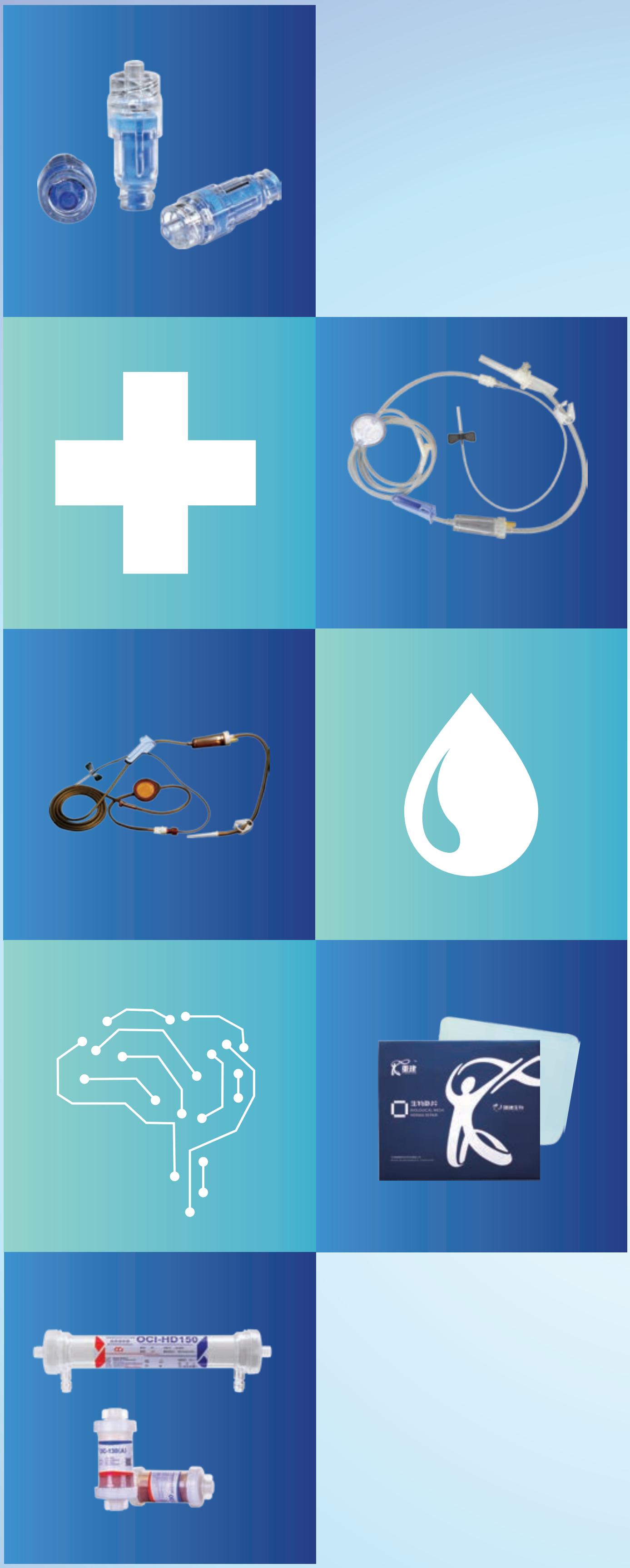
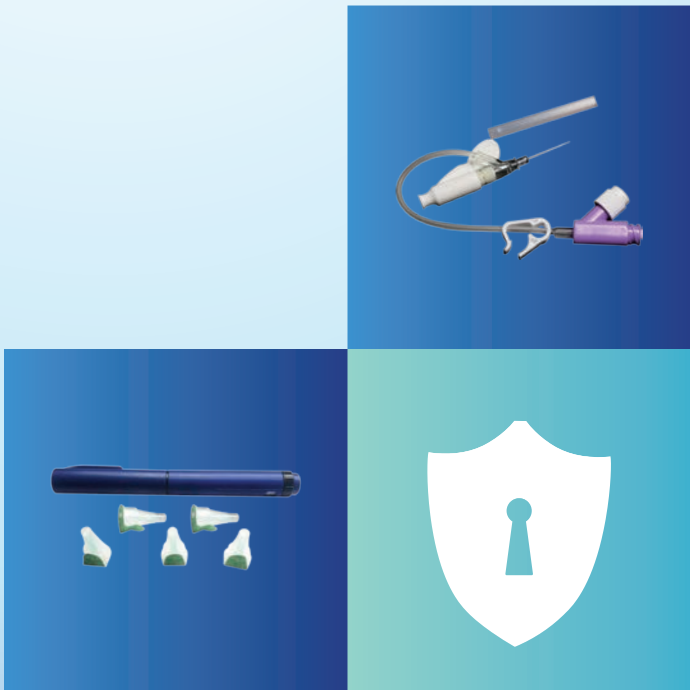


PW MEDTECH GROUP LIMITED

普华和顺集团公司

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

ANNUAL REPORT 2022



A True Pioneer In The Chinese Medical Device Industry

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

CONTENTS

CORPORATE PROFILE

PW Medtech is a leading medical device company focused on fast-growing and high-margin segments of China's medical device industry. The Group has leading market positions in its current business segments of infusion sets, blood purification products and regenerative medical biomaterials, with strong R&D capabilities and well-established distribution networks.

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

— The Group is a leading company in China in Infusion Set Business. The Group's products including non-PVC-based infusion sets, precision filter infusion sets, light resistant infusion sets, intravenous cannula products and insulin needles and pens. The Group is one of the first manufacturers which obtained the approval of the CFDA to manufacture precision filter infusion sets, and one of the first three manufacturers approved by the CFDA to manufacture non-PVC-based infusion sets. The Group also holds patented double-layer tubing design for non-PVC-based infusion sets.

— The Group is a leading company in China in Blood Purification Business. The Group's products including high flux hemodialyzer, low flux hemodialyzer, hemodiafilter and hemoperfutor. The Group is the first domestic manufacturer which obtained registration certificate of high flux hemodialyzer in China.

— The Group has strong R&D capabilities in Regenerative Medical Biomaterials Business segment. The Group adopts the leading and the latest generation of tissue regenerative material technology and has a complete product pipeline, the application scenarios of which covering various aspects in relation to herniorrhaphy, burns and scalds, oral repairing, breast reconstruction and injection cosmetology.

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

"2023 AGM"	the AGM to be held on June 6, 2023
"actual controller (實際控制人)"	the individual or entity that can control a company by way of investment, contract or other arrangements according to the Listing Rules of the Growth Enterprise Market (《創業板股票上市規則》) published by the Shenzhen Stock Exchange where Lepu Medical is listed
"AGM"	annual general meeting of the Company
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Beijing Ruijian Biological"	Beijing Ruijian High-Tech Biological Technology Co., Ltd (北京瑞健高科生物科技有限公司), a limited liability company incorporated in the PRC on February 5, 2013
"Blood Purification Business"	the R&D, manufacturing and sales of hemodialysis and blood purification medical devices
"Board"	the board of Directors
"Cayman Islands Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CBPO"	China Biologic Products Holdings, Inc., a Cayman Islands exempted company, which changed its domicile from Delaware to the Cayman Islands on 21 July 2017 and was previously listed on the NASDAQ Stock Market from November 2009 to April 2021
"CEO"	chief executive officer of the Company
"CFDA"	the China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局)
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "Group", "PW Medtech" or "we"	PW Medtech Group Limited (普华和顺集团公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011 and except where the context indicated otherwise its subsidiaries
"Company Secretary"	the secretary of the Company
"Director(s)"	the director(s) of the Company

DEFINITIONS

"Dr. Pu"	Dr. Zhongjie Pu, the spouse of Ms. Yue'e Zhang and the actual controller of Lepu Medical
"Fert Technology"	Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司), a limited liability company established under the laws of the PRC on September 23, 1997 and indirectly wholly owned by the Company
"Guide"	the "Environmental, Social and Governance Reporting Guide" as contained in Appendix 27 to the Listing Rules
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Minority Investors"	Ningbo Fengkai Enterprise Management Partnership (Limited Partnership) (寧波豐楷企業管理合夥企業(有限合夥)) and Xi'an Jiaoda Siyuan Puhui Investment Partnership (Limited Partnership) (西安交大思源普惠投資合夥企業(有限合夥))
"Infusion Set Business"	the R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc.
"IPO"	the Company's initial public offering of its Shares
"Lepu Biopharma"	Lepu Biopharma Co., Ltd., (乐普生物科技股份有限公司), a limited liability company incorporated in the PRC on January 19, 2018 and the H shares of which is listed and traded on the Main Board of the Stock Exchange (Stock code: 2157)
"Lepu Biopharma Share(s)"	the H shares in the capital of Lepu Biopharma with a nominal value of RMB1.00 each traded in Hong Kong dollars and listed on the Stock Exchange
"Lepu Medical"	Lepu Medical Technology (Beijing) Co., Ltd. (乐普(北京)医疗器械股份有限公司), a joint stock company incorporated in the PRC on June 11, 1999 and listed on the Shenzhen Stock Exchange (stock code: 300003)
"Lepu Medical Group"	Lepu Medical and its subsidiaries
"Listing Date"	November 8, 2013, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Medical Products Processing Services Framework Agreement"	the medical products processing services framework agreement dated July 5, 2022 entered into between the Company and Lepu Medical for the provision of medical products processing services by the Group to Lepu Medical Group
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Orthopedic Implant Business"	the R&D, manufacturing and sale of orthopedic implant products

"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on July 3, 2013 and amended on October 14, 2013
"Prospectus"	the prospectus of the Company dated October 28, 2013
"Purchase of Medical Devices Molds and Components Framework Agreement"	the purchase of medical devices molds and components framework agreement dated December 14, 2022 entered into between the Company and Lepu Medical for the purchase of medical devices molds and components by the Group from Lepu Medical Group
"Purchaser"	Medfusion Investment Limited, a limited company incorporated under the laws of Hong Kong on September 9, 2021 (an indirect wholly-owned subsidiary of the Company)
"R&D"	research and development
"Regenerative Medical Biomaterials Business"	the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended December 31, 2022
"RMB"	Renminbi, the lawful currency of the PRC
"Sales of Medical Devices Framework Agreement"	the sales of medical devices framework agreement dated July 5, 2022 entered into between the Company and Lepu Medical for the sales of medical devices from the Group to the Lepu Medical Group
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value US$0.0001 each in the issued share capital of the Company
"Share Exchange Agreement"	the share exchange agreement entered into between the Company and CBPO on October 12, 2017
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on October 14, 2013
"Share Subscription"	the share subscription under the Share Subscription Agreement in relation to the Purchaser's subscription of 17% enlarged issued share capital of Beijing Ruijian Biological
"Share Subscription Agreement"	the share subscription agreement dated January 5, 2022 in relation to the Share Subscription

"Share Transfer"	the share transfer under the Share Transfer Agreement in relation to the Purchaser's acquisition of 51.5% equity interest in Beijing Ruijian Biological (representing approximately 41.2% of the issued share capital of Beijing Ruijian Biological as enlarged by the share subscription contemplated under the Share Subscription Agreement)
"Share Transfer Agreement"	the share transfer agreement dated January 5, 2022 in relation to the Share Transfer
"Shareholder(s)"	holder(s) of Shares
"Shenzhen Bone"	Shenzhen Bone Medical Device Co., Ltd. (深圳市博恩醫療器材有限公司), a limited liability company established under the laws of the PRC on November 12, 2002, in which the equity interests of the Company were disposed of in December 2016
"Sichuan Ruijian Medical"	Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司), a joint stock limited liability company established in PRC on August 6, 2013, a non-wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianxinfu"	Tianxinfu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有限公司), a joint stock company established in the PRC on January 18, 2002, in which the equity interests of the Company were disposed of in January 2018
"US$"	United States dollars, the lawful currency of the United States of America
"Vendors"	Individual Vendors and Institutional Vendors, including Huaimin Yang (楊懷民), Wenquan Sun (孫文全), Xin Wang (王忻), Luchan Ye (葉綠嬋), Hainan Ruijian Enterprise Management Partnership (Limited Partnership) (海南瑞健企業管理合夥企業(有限合夥)), and Dongguan Gaohua No. 1 Investment Partnership (Limited Partnership) (東莞高樺 一號投資合夥企業(有限合夥))
"Walkman Biomaterial"	Tianjin Walkman Biomaterial Co., Ltd. (天津市威曼生物材料有限公司), a limited liability company established under the laws of the PRC on November 8, 2001, in which the equity interests of the Company were disposed of in December 2016
"Xuzhou Yijia"	Xuzhou Yijia Medical Device Co., Ltd. (徐州一佳醫療器械有限公司), a limited liability company established under the laws of the PRC on June 30, 2003 and directly wholly owned by Fert Technology
"%"	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Mr. JIANG Liwei
Mr. LIN Junshan

Independent Non-executive Directors

Mr. WANG Xiaogang
Mr. CHEN Geng
Ms. WANG Fengli

COMPANY SECRETARY

Ms. SO Ka Man, *FCG, HKFCG*

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Ms. Yue'e ZHANG
Ms. SO Ka Man

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. CHEN Geng *(Chairman)*
Mr. LIN Junshan
Ms. WANG Fengli

NOMINATION COMMITTEE

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

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

The Grand Pavilion Commercial Centre
Oleander Way, 802 West Bay Road
P.O. Box 32052
Grand Cayman KY1-1208
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building 1, No. 23 Panlong West Road
Pinggu District
Beijing, PRC 101204

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

PRINCIPAL BANKERS

Morgan Stanley & Co International PLC
31/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

China CITIC Bank,
Wanliu Branch
5–32, Xing Biao Garden
Wanliu Central Road
Haidian District
Beijing, PRC

HONG KONG LEGAL ADVISOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE AND BOARD LOT

Stock code: 1358
Board lot: 1,000

WEBSITE

www.pwmedtech.com

MILESTONES

2022

- Acquired 51% equity interest in Sichuan Ruijian Medical and entered into Blood Purification Business.
- Acquired 58.2% equity interest in Beijing Ruijian Biological and entered into Regenerative Medical Biomaterial Business

2020

Entered into agreements to dispose all equity interests in CBPO achieving high returns, and declared a special dividend in the amount of half of the proceeds

2018

Upon the completion of the Share Exchange Agreement with CBPO, the Group has become the single largest shareholder of CBPO, and Tianxinfu has become a subsidiary of CBPO. The Group also further acquired 800,000 CBPO shares in August

2017

Entered into the Share Exchange Agreement with CBPO to subscribe for 5,521,000 CBPO shares, representing 16.66% of the enlarged issued share capital of CBPO by way of exchanging the Group's equity interest in Tianxinfu with CBPO

2016

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

2014

Acquired Tianxinfu and entered into Regenerative Medical Biomaterial Business

2013

- Acquired Xuzhou Yijia and further expanded into Infusion Set Business
- Acquired Shenzhen Bone and expanded into Joint Products
- Listed on The Main Board of the Stock Exchange on November 8, 2013

2011

Acquired Fert Technology and entered into Infusion Set Business

2008

Acquired Walkman Biomaterial and entered into Orthopedic Implant Business

2002

Tianxinfu and Shenzhen Bone were founded

2001

Walkman Biomaterial was founded

1997

Fert Technology was founded

KEY FINANCIALS

Revenue for the year ended December 31, 2022 amounted to approximately RMB536.8 million, representing an increase of 97.8% from approximately RMB271.4 million recorded in 2021 as a result of the additional revenue of approximately RMB288.3 million contributed by the subsidiaries of the Blood Purification Business newly acquired during the year 2022, offset by the approximately 8.4% decrease in sales of the Infusion Set Business.

Gross profit for the year ended December 31, 2022 amounted to approximately RMB298.8 million, representing an increase of 80.0% from approximately RMB166.1 million recorded in 2021.

Profit attributable to owners of the Company for the year ended December 31, 2022 amounted to approximately RMB106.0 million, representing a decrease of 85.7% from approximately RMB739.1 million recorded 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"), and the non-recurring impairment loss on property, plant and equipment of approximately RMB40.7 million in 2021 (the "Non-recurring Impairment Loss in 2021"). For illustration purpose, after excluding the impact of the One-off Disposal Gain in 2021 and the post-tax impact of the Non-recurring Impairment Loss in 2021, the profit attributable to owners of the Company increased by 179.7% from approximately RMB37.9 million recorded in 2021 to approximately RMB106.0 million in 2022 mainly due to (i) the additional profit generated by the newly acquired Blood Purification Business, offset by the additional loss generated by the newly acquired Regenerative Medical Biomaterials Business; and (ii) foreign exchange gain in 2022.

Basic earnings per share and diluted earnings per share in 2022 were RMB6.77 cents and RMB6.77 cents (2021: RMB47.10 cents and RMB47.10 cents), respectively, representing a decrease of 85.6% and 85.6% from 2021 respectively.

FINANCIAL SUMMARY

RESULTS

	For the Year Ended December 31,				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022 RMB'000**
Revenue	310,813	362,183	247,352	271,399	**536,826**
Profit before income tax	126,575	85,808	626,599	737,464	**157,747**
Profit for the year	115,511	81,969	631,811	739,117	**128,867**
Profit attributable to:					
Owners of the Company	114,812	81,982	631,814	739,120	**106,041**
Non-controlling interests	699	(13)	(3)	(3)	**22,826**

ASSETS AND LIABILITIES

	As at December 31,				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022 RMB'000**
Total assets	5,194,970	5,351,830	5,283,595	3,915,027	**4,989,114**
Total liabilities	700,833	743,341	175,316	122,639	**351,559**
Equity attributable to the owners of the Company	4,494,283	4,608,648	5,108,441	3,792,388	**3,945,223**

CHAIRMAN'S STATEMENT

It is a great honor for me, on behalf of the Board, to present the annual report of the Company for the financial year ended December 31, 2022.

In 2022, China's economy was affected by various factors over an extended period of time such as the resurgence of pandemic, which brought pressure on the economic growth. The suppressed demand for medical consultation for most of the time during the year also posed challenges to the development of the medical industry. According to the National Centre of Statistics of China, from January to September 2022, the total number of patients visiting medical healthcare institutions in China was 4.82 billion, excluding the data from clinics, treatment offices of hospitals and rural clinics, representing a year-on-year decrease of 0.7%. Despite these challenges, the rigid demand characteristic of the medical industry remains obvious. Meanwhile, the continuous adjustment and optimization of the pandemic prevention policies since the end of 2022, coupled with the national strategic layout and favorable policies, added certainty to the long-term development of the medical industry. The comprehensive lift of travel restrictions after the adjustment of the pandemic prevention policies at the end of 2022 is expected to bring new opportunities for the recovery and growth for the medical industry. At the beginning of 2023, the medical institutions at all levels are gradually returning to normal operation after the Spring Festival with increased number of patient visits, which is expected to show a recovery in the medical market in the future.

With improvement in longevity and higher expenditure on healthcare in emerging economies, the global demand for medical devices is increasing. The huge gap between the relatively less developed medical device and equipment level and the growing medical needs of society in China has contributed to the rapid growth of China's medical device market in recent years, with faster pace than other industries and faster than the growth of medical device markets in developed and other developing countries in the world. After more than 30 years of development, China's medical device industry has reached a considerable scale, and has been maintaining a relatively fast growth rate.

In addition, China has attached greater importance to the medical device industry in recent years by giving greater support at the policy level to speed up innovation of domestic medical devices as well as expand and strengthen their development, so as to achieve import substitution. At the same time, the relevant authorities are also deepening the reform of the medical system, and have developed more detailed and clear regulatory requirements for the medical device industry to ensure the healthy development of the medical device industry.

The technological progress, corporate growth and market expansion of the medical device industry are inseparably related to the upstream and downstream industries. As a leading medical device company, PW Medtech focuses on the safety and effectiveness of its medical devices and gives full play to the technological support. Pursuing the philosophy of adhering to the medical healthcare and reverence for life, it provides a crucial safeguard for the medical device industry and makes contributions for the medical business in China with its best endeavors.

BUSINESS REVIEW

As a leader in China's medical device industry, PW Medtech focuses on fast-growing and high-margin segments of China's medical device market, ranking top in terms of market share of advanced infusion sets for many years. In 2022, the Group successfully entered into new business segments. In February 2022, the Group expanded into the blood purification business sector upon completion of the acquisition of Sichuan Ruijian Medical, a leading blood purification medical device company in China. In April 2022, the Group further expanded into the Regenerative Medical Biomaterials Business upon completion of the equity acquisition and capital increase of Beijing Ruijian Biological. Both new business segments have tremendous growth potential and robust development prospects, which will bring sustainable business growth momentum for the Group through the integration of resource advantages after the acquisition and the synergy of R&D, sales network and business operation.

Benefited from the contribution of the new business segments, the Group's revenue increased during the year. For the year ended December 31, 2022, the Group's revenue was RMB536.8 million, representing an increase of 97.8% from 2021. For the year ended December 31, 2022, the Group's gross profit amounted to RMB298.8 million, increased by 80.0% from 2021. The gross profit margin for the year was 55.7%.

The Group attaches great importance to R&D and continues to increase its investment of resources in R&D. The Group has an experienced, strong and dedicated R&D team to continuously improve the functions of existing products and expand new product portfolio. The Group's subsidiary in the infusion set segment is developing a leading disposable dialysis cannula in China, and has submitted an application for its registration during the year allowing it to officially transform from the intravenous nursing to intraarterial nursing. The Group is also developing a domestic-leading light resistant cannula product, which employs a unique process and material that can effectively prevents photodegradation and photosensitivity reactions of the infused drug solution and ensure drug efficacy. The Group has submitted an application for its registration during the year. In the Blood Purification Business segment, the Group continues to improve the materials and performance of existing dialysis consumables products and continues to conduct R&D of continuous renal replacement therapy consumables products. During the year, the Group has obtained its first product registration certificate for the Regenerative Medical Biomaterials Business segment and completed the clinical trials for a number of products under development.

In terms of sales and marketing, the Group continued to optimize its sales structure and marketing strategies, and made flexible adjustment to its tendering strategies to follow the medical industry policies. Regarding the operational management, the Company continued to implement the strategy of "low cost and high quality" to improve operating efficiency.

During the year, the Group and Lepu Medical Group entered into the following framework agreements: the Sales of Medical Devices Framework Agreement, the Medical Products Processing Services Framework Agreement and the Purchase of Medical Devices Molds and Components Framework Agreement. The business cooperation with Lepu Medical will help promote the distribution and sales of the Group's products, and enhance the Company's brand value and influence in the overseas markets, which will be beneficial to the business and operations of the Group.

FUTURE PROSPECTS

The medical device industry is an important foundation for the construction of the medical healthcare system. Over the course of capacity expansion and grassroot development of the market, the medical device industry will embrace new room for development as a long-term strategic reserve for securing social needs. As a leading company in China's medical device industry, the Company will further increase the investment in R&D and enrich its product portfolio, integrate its advantageous resources and improve its operating efficiency to make contribution to the safety and effectiveness of medical and therapeutic services.

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt gratitude to all the respected Shareholders. PW Medtech will seize the opportunities presented by lifting of restrictions after the pandemic and the development of the medical device industry to promote sustainable business growth and operating efficiency, so as to further consolidate the Group's leading position in the market and realize rapid growth with a view to maximizing the return to the Shareholders in the long run.

Chairman of the Board
Yue'e ZHANG

March 30, 2023

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS

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

Name	Position	Date of Appointment as Director
Executive Director		
Ms. Yue'e ZHANG (張月娥)	CEO, Chairman and executive Director	May 13, 2011
Non-executive Directors		
Mr. JIANG Liwei (姜黎威)	Non-executive Director	June 21, 2013
Mr. LIN Junshan (林君山)	Non-executive Director	June 21, 2013
Independent Non-executive Directors		
Mr. WANG Xiaogang (王小剛)	Independent non-executive Director	October 14, 2013
Mr. CHEN Geng (陳庚)	Independent non-executive Director	October 14, 2013
Ms. WANG Fengli (王鳳麗)	Independent non-executive Director	August 1, 2021

Executive Director

Ms. Yue'e ZHANG (張月娥), born in 1963, is the CEO, the Chairman, an executive Director and the chairman of the Nomination Committee. She is also a director of certain subsidiaries of the Company. In addition to her roles with the Group, Ms. ZHANG currently serves as the executive director of WP Medical Technologies, Inc. She is also one of the early founders of Lepu Medical. She was a director of CBPO from January 1, 2018 till January 6, 2021. Ms. ZHANG has worked in the medical device industry for nearly 30 years and has accumulated considerable experience in product design, R&D, and management and investment. Ms. ZHANG graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in materials science and engineering in July 1985, and later received two master's degrees relating to materials science and management from Xi'an University of Technology (西安理工大學) and Florida International University in July 1988 and April 1996, respectively. Ms. ZHANG is the daughter of Ms. Yufeng LIU (the ultimate controlling Shareholder who wholly owns Cross Mark Limited, the controlling Shareholder).

Non-executive Directors

Mr. JIANG Liwei (姜黎威), born in 1967, is a non-executive Director. Mr. JIANG has over 20 years of management experience in the medical device industry. Mr. JIANG currently serves as the Chairman and the CEO of Shenzhen Futurtec Medical Co., Ltd. (深圳市鑫君特智能醫療器械有限公司). He was the CEO and executive Director of the Group from February 2013 to March 2019. Prior to joining the Group in February 2013, Mr. JIANG was the head of China for Biomet China Co., Ltd. (邦美(上海)商貿有限公司) from 2008 to 2013 and the general manager of Trauson (China) Medical Instrument Co., Ltd. (創生醫療器械(中國)有限公司) from 2005 to 2008. He also held various management positions with Zimmer (Shanghai) Medical International Trading Co., Ltd. (捷邁(上海)醫療國際貿易有限公司) from 1999 to 2005 and Smith & Nephew Medical (Shanghai) Limited (施樂輝醫用產品國際貿易(上海)有限公司) from 1997 to 1999. Mr. JIANG was a resident doctor for a few years upon graduation from Shanghai Second Medical University (上海第二醫科大學) (currently known as School of Medicine, Shanghai Jiaotong University (上海交通大學醫學院)) with a bachelor's degree in clinical medicine in July 1991.

Mr. LIN Junshan (林君山), born in 1962, is a non-executive Director and a member of both the Audit Committee and the Remuneration Committee. Mr. LIN joined the Group in April 2010. He is also a director of certain subsidiaries of the Company. In addition to his roles with the Group, Mr. LIN currently serves as the general manager of Beijing Guanshengyun Medical Technology Co., Ltd. (北京冠生雲醫療技術有限公司). Before joining the Group, Mr. LIN was a chief engineer and professoriate senior engineer of CSR Qingdao Sifang Co., Ltd. (南車青島四方機車車輛股份有限公司) (formerly known as CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.) from January 2007 to June 2013. After his graduation from Xi'an Jiaotong University (西安交通大學) with a doctorate degree in materials science and engineering in March 1990, Mr. LIN held various research positions in Shanghai Jiaotong University (上海交通大學), Osaka University (Japan) and Hitachi Mechanical Engineering Research Laboratory (now Hitachi Research Laboratory), Hitachi Ltd. from April 1990 to December 2006.

Independent Non-executive Directors

Mr. WANG Xiaogang (王小剛), born in 1973, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee. Mr. WANG is a founder and the chief executive director of Beijing HuiTong Education Technology Co., Ltd. Mr. WANG served as a managing director of China Aerospace Industry Investment Fund Management (Beijing) Co., Ltd. (航天產業投資基金管理(北京)有限公司) from February 2011 to August 2014. He was previously a partner at PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (普華永道諮詢(深圳)有限公司), where his work focused primarily on financial advisory on investment, merger and acquisition related transactions. He joined PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. in 1997. Mr. WANG obtained the qualification of Certified Public Accountant from Beijing Institute of Certified Public Accountants (北京註冊會計師協會) in June 1997 and the qualification to practice law in the PRC from the Ministry of Justice (司法部) in February 2007. Mr. WANG graduated from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) (now Hangzhou Dianzi University (杭州電子科技大學)) with a bachelor's degree in accounting in July 1995, and later received a master's degree in investment management from Sir John Cass Business School of The City University London in March 2004.

Mr. CHEN Geng (陳庚), born in 1970, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. CHEN served in the following positions in Peking University Resources (Holdings) Company Limited (name changed from "EC-Founder (Holdings) Company Limited" on October 25, 2013; a company listed on the Main Board of the Stock Exchange, stock code: 618): executive president from 2005 to 2006, executive director from 2006 to May 2013 and vice president from May 2013 to September 2019. He was also an executive director of Founder Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 418) from 2006 to 2011 and the vice president of New Auto Group (新奧特集團) from 2004 to 2005, and had worked in various investment firms in the PRC, garnering extensive experience in finance and management. Mr. CHEN has obtained the qualification of senior economist (高級經濟師) from China State Construction Engineering Corporation Limited (中國建築工程總公司) in October 2010. He graduated from Northwest University (西北大學) with a bachelor's degree in administrative management in July 1993 and later received an EMBA degree from Guanghua School of Management, Peking University (北京大學光華管理學院) in January 2005.

Ms. Wang Fengli (王鳳麗), born in 1963, is an independent non-executive Director, a member of both the Remuneration Committee and Nomination Committee of the Company. In addition to her roles with the Group, Ms. WANG has worked in Northwest University of Political Science and Law (西北政法大學) starting from July 1985, currently serves as a professor in the Department of International Trade (國際貿易系) of the School of Economics (經濟學院) as well as the person-in-charge of the programme of Master degree for International Commerce (國際商務專業) and is engaged in the teaching and research of International Commerce. She was an independent director of Sunresin New Materials Co., Ltd, Xi' An. (西安藍曉科技新材料股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300487) from 2015 to April 2021. Ms. WANG obtained the Education Certificate of Independent Director qualification (獨立董事資格教育證書) of Shenzhen Stock Exchange in August 2015. Ms. WANG graduated from Sichuan University with a Bachelor's degree in History in July 1985, and later received a Master's degree in Law from Northwest University of Political Science and Law (西北政法大學) in March 2006.

SENIOR MANAGEMENT

Ms. Yue'e ZHANG (張月娥), born in 1963, is the CEO, Chairman and an executive Director. Her biographical details are set out above under the section headed "Profile of Directors and Senior Management — Executive Director" in this annual report.

Mr. HUA Wei (華煒), born in 1970, is the Company's vice president. He is also a director of certain subsidiaries of the Company. Prior to joining the Group in April 2011 as Fert Technology's general manager, Mr. HUA had served as an executive assistant general manager and general manager of Zhongguancun Development Hi-Tech Incubator Co., Ltd (中關村興業(北京)高科技孵化器股份有限公司) from 2002 to 2011. Mr. HUA also held various managing positions with the branch companies of Xinjiang Securities Corporation Limited (新疆證券有限責任公司) from 1995 to 2001. Mr. HUA started his career with the Shihezi branch of the People's Bank of China (中國人民銀行石河子市分行) in 1991. Mr. HUA graduated from Changchun College of Finance (長春金融專科學校) with a diploma in finance in July 1991, and received an MBA degree from Renmin University of China (中國人民大學) in January 2009.

Mr. CHEN Yikun (陳怡琨), born in 1976, is the Company's vice president. Prior to joining the Group in January 2014, Mr. CHEN was a senior manager at PricewaterhouseCoopers LLP and he has over 10 years of experience in assurance and advisory practice. From 2005 to 2006, Mr. CHEN served as a project manager in merger and acquisition in China Resources Petrochems (Group) Co., Ltd. (華潤石化(集團)有限公司) before he rejoined PricewaterhouseCoopers LLP in 2006. Before joining PricewaterhouseCoopers LLP in 2001, Mr. CHEN served as an accounting supervisor of Hutchison Whampoa Properties (Shenzhen) Co., Ltd. (和記黃埔地產(深圳)有限公司) from 1998 to 2001. Mr. CHEN is a fellow member of the Association of Chartered Certified Accountants, the Institute of Public Accountants, and the Governance Institute of Australia, a member of the Chinese Institute of Certified Public Accountants, and the Tax Institute of Australia. Mr. CHEN graduated from Shantou University (汕頭大學) with a bachelor's degree in economics in July 1998, received Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia in January 2018, and received Graduate Diploma of Applied Tax Law from the Tax Institute of Australia in December 2020.

Ms. Tian Tian (田甜), born in 1982, is the Company's financial director. Prior to joining the Group in January 2020, Ms. TIAN served as the chief financial officer in Sinowel Wealth Management Group from 2017 to 2020. She served as the financial controller in Century Sage Scientific Holdings Limited from 2014 to 2017. She started her career with PricewaterhouseCoopers Zhong Tian LLP from 2006 and has over 8 years of experience in assurance and advisory practice. Ms. TIAN is a member of the Chinese Institute of Certified Public Accountants and a member of The Hong Kong Chartered Governance Institute, Chartered Secretary and Chartered Governance Professional. Ms. TIAN graduated from Wuhan University (武漢大學) with bachelor's degree in management in July 2004, and later received a master's degree in accounting from University of International Business and Economics (對外經濟貿易大學) in July 2006 and an MBA degree from University College London in March 2021, respectively.

MARKET AND BUSINESS REVIEW

Looking back at 2022, the development of the medical industry was exposed to certain challenges due to the combined effect of the recurring pandemic, the centralized procurement policy, international geopolitical turmoil and the Federal Reserve's rate hikes. However, under the challenges, the medical device industry also demonstrated its unique value and resilience. As one of the important pillars in the development of a modern medical and health system, the medical device industry is highly strategic with high driving effect and growth potential, and is therefore deemed to be vital by the governments of various countries. The authorities of China have introduced a number of policies encouraging the market to accelerate the innovation of domestic medical devices, drive the domesticalisation of high-end medical devices, facilitate the promotion and application of new technologies, and promote the rapid development of the domestic medical device industry. In 2022, the Chinese government has introduced relevant policies regarding medical insurance payment reform, market access and encouraging innovation to promote the development of the medical device industry in China. In the meantime, the development of new medical infrastructure in China catalyzed by the coronavirus disease 2019 ("COVID-19") pandemic in the past few years is also a driving force for the expansion of medical device market.

The Company is a leading medical device company in China focusing on fast-growing and high-margin segments of China's medical device industry and has been committed to expanding new markets with room for growth to consolidate its leading position in the industry. In 2022, the Group further expanded its business scope and improved its overall competitiveness with the acquisition of the business of Sichuan Ruijian Medical, which is the Blood Purification Business, and the business of Beijing Ruijian Biological which is the Regenerative Medical Biomaterials Business, together with 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 and successfully expanded into the 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. Sichuan Ruijian Medical possesses a number of proprietary intellectual property rights, and masters the optimal formula for polyethersulfone hollow fibre membrane, the core raw material for hemodialyzer. Sichuan Ruijian Medical is also engaged in the whole process of independent research, development, design and manufacturing of the production lines from initial spinning to back-end assembling. As the first enterprise in China to obtain the registration certificate for high-flux hemodialyzers and a pioneer in the domestic hemodialysis consumables sector, its products topped the market share of the nation and were sold to various regions overseas.

In April 2022, the Group completed the equity acquisition and capital increase of Beijing Ruijian Biological. Upon completion of the transaction, the Group owned 58.2% equity interests in Beijing Ruijian Biological, and restarted its operation in 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.

For the year ended December 31, 2022, the operating revenue of the Group was RMB536.8 million, representing an increase of 97.8% from 2021. The Group recorded a gross profit of RMB298.8 million, representing an increase of 80.0% from 2021. The overall gross profit margin for the period was 55.7%. The profit attributable to owners of the Company amounted to approximately RMB106.0 million, representing a decrease of 85.7% from approximately RMB739.1 million recorded in 2021. For illustration purpose, after excluding the impact of the One-off Disposal Gain in 2021 and post-tax impact of the Non-recurring Impairment Loss in 2021, the profit attributable to owners of the Company increased by 179.7% from approximately RMB37.9 million recorded in 2021 to approximately RMB106.0 million in 2022. The Group maintained a stable and sound financial position and cash flows. It is expected that the operating revenue of the Group in the future will be on a positive growth trend.

China's centralized procurement regime for certain medical consumables implemented in recent years brought certain challenges to the industry while the ex-factory price and gross profit of medical device products were affected to a certain extent. From the perspective of long-term development, the centralized procurement will to some extent boost the increase in industry concentration and accelerate the industrial consolidation towards market players with economies of scale and strong innovation capability, thus bringing new opportunities and challenge to the industry.

As a leader in China's medical device industry, the Group proactively coped with changes in the industry by adjusting its business strategies on a case-by-case basis, thereby enhancing the quality and efficiency of both operation and development, and maintaining the momentum of steady and progressive development. The Group continued to improve quality control of its products, enhance its R&D capabilities and strengths, so as to actively provide strong support to the industry.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

With the full relaxation of travel restrictions following the adjustment of the pandemic prevention and control policies at the end of 2022, the demand for general medical treatment in China is expected to return on track gradually, which, in turn, will drive the demand for general diagnostic reagents, medicines and equipment and consumables. Looking forward, the market is expected to show signs of recovery. In terms of industry policies, innovation and upgrading remain the main line for the development of medical devices in China. The publication of a number of policies encouraging technological innovation in China has accelerated the innovative development of medical devices, greatly boosting the intrinsic motivation of medical device manufacturers for innovation and development, and the National Medical Products Administration has also accelerated the approval of innovative medical devices. In addition, the development of new medical infrastructure in China will not only expand the capacity of large public hospitals, but also improve the quality of primary medical institutions. The delivery of new hospitals can effectively expand the medical device market and provide new growth capacity for the medical device industry.

Globally, the scale of the medical device industry continues to grow at a rapid pace. In terms of market size, China's medical device industry has entered a golden period of booming development. As reported by some institutions, China has become the second largest medical device market after the United States.

Focusing on China's fast-growing and high-margin medical device market, PW Medtech strives to support the upgrade of the industry by improving product innovation and R&D capabilities, expanding manufacturing capacity and product portfolio, and optimizing business presence. In 2022, the Group completed the acquisition of Sichuan Ruijian Medical and Beijing Ruijian Biological respectively. Both of the Blood Purification Business segment and the Regenerative Medical Biomaterials Business segment related to the acquisitions have broad market development space and growth prospects.

With the increasing number of end-stage renal disease patients and the further improvement of medical insurance policies and industrial support policies in China, the domestic hemodialysis market is expanding steadily and the level of import substitution is further improving, presenting opportunities for the development of domestic enterprises. During the year, the Group's Blood Purification Business recorded rapid growth. In the future, the Group will continue to take advantage of the favorable competitive landscape in the industry to secure market share, further consolidate its market position and sufficiently cope with the significant market demand.

For the Regenerative Medical Biomaterials Business segment, the 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, with the publication of the relevant policies on medical biomaterials in China, in particular, under the guidance of the "Made in China 2025" program, which sets to "actively pursue ground-breaking development of biopharmaceutical and high-performance medical devices", the regenerative biomaterials sector is expected to have greater potential for development and maintain a high growth rate in the coming years. In 2022, Beijing Ruijian Biological, a subsidiary of the Group engaged in the regenerative medical biomaterials segment obtained its first product registration certificate and completed the clinical trials for its oral cavity repair membrane and breast tissue patch products. Looking forward, 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 is expected to further accelerate commercialization and become a new growth driver of the Group.

In the Infusion Set Business segment, the Group is principally engaged in the R&D and continuous improvement of the materials and performance of infusion sets and cannula products, the optimization of the infusion nursing product line, and the R&D and expansion of medical devices for diabetes and other nursing areas. During the year, the Group submitted an application for the registration of a dialysis cannula. The product employs a domestic-leading technology, allowing the product line to expand from intravenous nursing to intraarterial nursing. Meanwhile, the Group also submitted an application for the registration of a domestic-leading light resistant cannula product during the year. The product employs a unique process and material that can effectively prevents photodegradation and photosensitivity reactions of the infused drug solution and ensure drug efficacy.

As of December 31, 2022, the Group had obtained 45 registration certificates for products, covering, among others, infusion set, cannula, intestinal feeding device, insulin injection pen, insulin needles, blood transfusion set, hemodialyzer, hemodiafilter, hemoperfutor and biologic patch.

Leverage its leading position in the medical device industry in China, the Group will make active contribution to the safety and effectiveness of medical treatment, facilitate industry development, and continuously optimize business coverage to enhance the Group's competitive strengths.

Emphasis on Innovation and R&D

The Group has established a R&D team that consists of experienced members. The team closely cooperates with surgeons, hospitals (especially Class III Grade A hospitals), first-class university research centers and other research institutions.

As of December 31, 2022, the Group owned 170 patents for products, including 106 patents in relation to infusion set products, 40 patents for blood purification products and 24 patents for regenerative medical biomaterial products, and has applied for 41 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 R&D and innovation of medical devices so as to enhance its 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 the 31 provinces, municipalities and autonomous regions in China, and enhance the promotion of products from all business segments.

The Group continues to optimize marketing channels and expand distribution networks. On July 5, 2022, the Group entered into the Sales of Medical Devices Framework Agreement with Lepu Medical for the sale of medical devices, including but not limited to dialyzers, infusion sets, intravenous cannulas, insulin needles and insulin injection pens, to Lepu Medical Group. With the well-established global product distribution network of Lepu Medical, the entering into of the Sales of Medical Devices Framework Agreement will facilitate the distribution and sale of the Group's products and help enhance the Group's brand value and presence in overseas markets.

The Group's core sales staff have an average of over 10 years of experience in their respective fields and nearly half of the sales and marketing team members have a medical education background, enabling them to communicate with doctors and nurses in a professional and effective manner.

Strategic Acquisitions

The Group seizes the strategic development opportunities in the industry to establish its strategic presence of business. In 2022, the Group completed the acquisitions of Sichuan Ruijian Medical and Beijing Ruijian Biological. Such two new business segments are expected to bring a promising future and the potential for sustainable growth and improve the brand awareness and value of the Company.

The Group continues to seek opportunities for merger and acquisition ("M&A") projects with promising outlooks 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 investment return.

OVERVIEW

	For the year ended December 31,		
	2022 RMB'000	2021 RMB'000	Change
Revenue			
— Infusion Set Business	248,491	271,399	–8.4%
— Blood Purification	288,335	—	N/A
— Regenerative Medical Biomaterials Business	—	—	N/A
Total Revenue	536,826	271,399	97.8%
Gross profit	298,825	166,056	80.0%
Gain on disposal of assets held for sale	—	731,750	–100.0%
Profit for the year	128,867	739,117	–82.6%
Profit attributable to owners of the Company	106,041	739,120	–85.7%

REVENUE

As a result of the additional revenue contributed by the newly acquired subsidiaries of the Blood Purification Business since the completion of the acquisition, offset by the decrease in sales of the Infusion Set Business, the revenue of the Group increased by 97.8% from approximately RMB271.4 million in 2021 to approximately RMB536.8 million in 2022.

Revenue from the Blood Purification Business for the ten-month period ended December 31, 2022 (the period immediately after the completion of the acquisition on February 28, 2022) amounted to approximately RMB288.3 million, which accounts for approximately 53.7% of the Group's revenue for the year ended December 31, 2022.

According to the unaudited management accounts of the relevant subsidiaries comprising the Blood Purification Business prepared under HKFRS, revenue of the Blood Purification Business in 2022 was approximately RMB334.8 million, which increased by 30.7% compared to approximately RMB256.3 million for the year 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.

Compared 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 RMB248.5 million in 2022, representing a decrease of 8.4% from 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 year as well as slight decrease in sales price.

GROSS PROFIT

The Group's gross profit increased by 80.0% from approximately RMB166.1 million in 2021 to approximately RMB298.8 million in 2022. The gross profit margin decreased from 61.2% in 2021 to 55.7% in 2022, which is primarily attributable to the acquisition of the Blood Purification Business with a lower gross margin of 51.9%, together with the decrease of gross profit margin of the Infusion Set Business from 61.2% in 2021 to 60.0% in 2022. The decrease of gross profit margin of the Infusion Set Business was mainly due to the increase in unit fixed cost as the sales volume declined.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses increased by 9.2% from approximately RMB61.8 million in 2021 to approximately RMB67.5 million in 2022. 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 RMB12.2 million in selling expense of Infusion Set Business. The selling expense of the Infusion Set Business was mainly due to: (i) the reduction of promotion activities during the pandemic; and (ii) the decrease of labor cost as a result of the restructure of distribution network.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 94.5% from approximately RMB65.2 million in 2021 to approximately RMB126.9 million in 2022. The increase was mainly attributable to the additional administrative expenses incurred by the newly acquired Blood Purification Business and the Regenerative Medical Biomaterials Business.

R&D EXPENSES

R&D expenses increased by 102.3% from approximately RMB20.3 million in 2021 to approximately RMB41.0 million in 2022, mainly due to the R&D expenses incurred by the newly acquired Blood Purification Business and Regenerative Medical Biomaterials Business, offset by the decrease of R&D expenses of the Infusion Set Business. The decrease of R&D expenses of the Infusion Set Business was caused by the decrease in direct R&D expenses, since some of the R&D programs were at stages that did not require a large number of materials and external services.

OTHER GAINS/(LOSSES) — NET

Other gains — net in 2022 amounted to approximately RMB59.6 million, as compared with net other losses of approximately RMB17.2 million in 2021. The change was mainly due to: (i) the net foreign exchange gain amounted to RMB27.6 million for the year 2022 caused by the fluctuation of the exchange rate for the US dollar deposits denominated in RMB, while a net foreign exchange loss amounted to RMB40.9 million was recorded in 2021; and (ii) the other gains 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 RMB731.8 million in 2021, being the One-off Disposal Gain in 2021, the Group's gain on disposal of assets held for sale was nil in 2022.

FAIR VALUE LOSS ON INVESTMENT PROPERTIES

The Group had a fair value loss on investment properties of RMB0.3 million in 2022 (2021: RMB11.9 million). The loss was mainly due to the decline in the rental market in a pandemic environment.

OPERATING PROFIT

Operating profit was approximately RMB680.7 million 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 and Non-recurring Impairment Loss in 2021, the operating profit increased by RMB133.2 million in 2022, mainly the net result of: (i) the additional operating profit generated by the newly acquired Blood Purification Business which amounted to RMB76.3 million, offset by the additional operating loss generated by the newly acquired Regenerative Medical Biomaterials Business which amounted to RMB21.5 million; (ii) the change from other losses which amounted to RMB17.2 million in 2021 to other gains which amounted to RMB59.6 million in 2022 as a result of the fluctuation of foreign currencies.

FINANCE INCOME — NET

Net finance income decreased by 38.5% from approximately RMB56.7 million in 2021 to approximately RMB34.9 million in 2022, 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 year.

INCOME TAX (EXPENSES)/CREDITS

The income expenses was RMB28.9 million in 2022, as compared with income tax credits amounted to approximately RMB1.7 million in 2021. The change was mainly due to: (i) the additional income tax expenses incurred by the newly acquired Blood Purification Business; and (ii) the increase of taxable profit of the Infusion Set Business.

PROFIT FOR THE YEAR AND PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit for the year of the Group and profit attributable to owners of the Company was approximately RMB128.9 million and RMB106.0 million in 2022, representing a decrease of 82.6% and 85.7% from 2021, respectively. For illustration purpose, after excluding the impact of the One-off Disposal Gain in 2021 and the post tax impact of the Non-recurring Impairment Loss in 2021, the profit for the year of the Group increased from approximately RMB37.9 million in 2021 to RMB128.9 million in 2022 and profit attributable to owners of the Company increased from approximately RMB37.9 million in 2021 to approximately RMB106.0 million in 2022. The increases was mainly due to increase of operating profit, partially offset by the decrease of finance income and the increase of income tax expenses.

TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables primarily comprised the outstanding payment from credit sales. As of December 31, 2022, the trade and other receivables of the Group was approximately RMB166.9 million, representing an increase of approximately RMB18.6 million as compared to approximately RMB148.3 million as of December 31, 2021, which was mainly due to the incremental from the trade and other receivables balances for newly acquired Blood Purification Business and Regenerative Medical Biomaterials Business.

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 Notes 21 and 39(b) to the consolidated financial statements for the year ended December 31, 2022.

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 of RMB44.6 million as at December 31, 2021, a total of RMB35.1 million was subsequently received up to December 31, 2022.

As at December 31, 2022, the Group had made loss allowances of RMB25.9 million (as at December 31, 2021: RMB32.4 million) on the trade receivables with a gross amount of RMB104.9 million (as at December 31, 2021: RMB122.0 million).

INVENTORIES

Inventories increased from approximately RMB33.2 million as of December 31, 2021 to approximately RMB132.2 million as of December 31, 2022, which was mainly due to the additional inventories of the newly acquired Blood Purification Business amounting to RMB89.9 million, the additional inventories of the newly acquired Regenerative Medical Biomaterials Business amounting to RMB3.6 million, together with an increase of RMB5.5 million in inventories of Infusion Set Business caused by the increase in stock of raw materials and finished goods to meet potential market demand for the next year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly include buildings and facilities, machinery and equipment and construction in progress. As of December 31, 2022, the property, plant and equipment of the Group amounted to approximately RMB931.2 million, representing an increase of approximately RMB321.6 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 Biomaterials Business.

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 and trademarks are mainly identified and recorded during the purchase accounting process for the acquisitions of subsidiaries. As of December 31, 2022, the net value of the Group's intangible assets was approximately RMB1,092.4 million, representing an increase of approximately RMB1,078.5 million as compared to RMB13.9 million as of December 31, 2021. As of December 31, 2022, the net value of the Group's goodwill was approximately RMB564.1 million, representing an increase of approximately RMB403.3 million as compared to 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 RMB79.8 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 goodwill is subject to impairment test at each period end, while the technology know-how, trademarks, computer software and customer relationship are amortised with straight line method for 10–20 years. The amortization of the development cost and customer relationships identified from the consideration paid for the acquisition of Sichuan Ruijian Medical Group for the ten months ended December 31, 2022 was approximately RMB13.6 million. The amortization of the development cost identified from the consideration paid for the acquisition of Beijing Ruijian Biological for the eight months ended December 31, 2022 was approximately RMB3.7 million. The amortization was included in the general and administrative expenses.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at December 31 2022, the Group's financial assets at fair value through other comprehensive income was approximately RMB90.3 million (December 31, 2021: RMB10.0 million). The increase was due to the Group's investment in the H shares of Lepu Biopharma in February 2022 and the investment in an unlisted investment fund. The detailed information regarding the financial assets could be found in Note 18 to the consolidated financial statements for the year ended December 31, 2022.

FINANCIAL RESOURCES AND LIQUIDITY

As of December 31, 2022, the Group's cash and bank balances amounted to approximately RMB1,381.9 million (2021: RMB2,284.8 million). As of December 31, 2022, the Group's bank borrowing balances was nil (2021: nil).

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

PLEDGE OF ASSETS

During the year ended December 31, 2022, 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, 2022, the Group had a total capital commitment of approximately RMB35.6 million (2021: RMB26.7 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

CAPITAL EXPENDITURE

During the year ended December 31, 2022, the Group incurred expenditure of RMB40.2 million on the construction in progress including facilities and production lines and expenditure of RMB21.7 million on the purchase of property, plant and equipment as well as intangible assets.

GEARING RATIO

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowing divided by total capital. Total borrowing is current 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,	
	2022 **RMB'000**	2021 RMB'000
Total borrowing	**—**	—
Total equity	**4,637,555**	3,792,388
Total capital	**4,637,555**	3,792,388
Gearing ratio	**0.00%**	0.00%

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, 2022. 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, and the loan receivables with fixed 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, 2022, 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 RMB0 (2021: RMB0).

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.

CONTINGENT LIABILITIES

As of December 31, 2022, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

CREDIT RISK

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

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

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

CORPORATE GOVERNANCE REPORT

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

The Board considers that during the year ended December 31, 2022, the Company has applied the principles and complied with the code provisions set out in the CG Code, except for code provision C.2.1. Key corporate governance principles and practices of the Company as well as the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

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

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

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

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

A2. Board Composition

The composition of the Board as at the date of this report is as follows:

Executive Director:

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

Non-executive Directors:

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

Independent non-executive Directors:

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

Throughout the year ended December 31, 2022, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with one of them, being Mr. WANG Xiaogang, possessing appropriate professional qualifications and accounting and related financial management expertise.

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

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

The Company has adopted the Board Independence Evaluation Mechanism (the "Mechanism") to ensure independent views and input are available to the Board, with the following key features: (i) the Nomination Committee is established with clear terms of reference to identify suitable candidates, including independent non-executive directors, for appointment as Directors; (ii) the Nomination Committee will assess annually the independence of all independent non-executive directors; and (iii) the Directors are entitled to seek, at the Group's expense, independent professional advice reasonably necessary for discharging their duties as Directors. The Board has reviewed the implementation and effectiveness of the Mechanism and considered it to be effective for the year ended December 31, 2022.

A3. Chairman and Chief Executive

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

Ms. Yue'e ZHANG performs both the roles of the Chairman of the Board and the CEO currently. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. Under the leadership of Ms. Yue'e ZHANG, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

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

A4. Appointment and Re-election of Directors

All Directors are appointed for a specific term, subject to renewal upon expiry of the existing term. Ms. Yue'e ZHANG and Mr. JIANG Liwei are currently appointed for a term of 3 years commencing from February 3, 2021 and March 31, 2022, respectively, pursuant to their respective appointment letters. Ms. WANG Fengli is currently appointed for a term of 3 years from August 1, 2021 pursuant to her appointment letter. All the other Directors are currently appointed for a term of 3 years from October 15, 2022 pursuant to their letters of appointment.

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

At the forthcoming 2023 AGM, Ms. Yue's ZHANG and Mr. CHEN Geng shall retire by rotation pursuant to the Articles provisions as stated in the foregoing paragraph. Both of the above two retiring Directors, being eligible, will offer themselves for re-election at the 2023 AGM. The Board and the Nomination Committee recommended their re-election. The Company's circular, sent together with this annual report, contains detailed information of the above two Directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

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

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

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the year ended December 31, 2022, the Directors have complied with the code provision C.1.4 of the CG Code on participation in continuous professional training as follows:

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

A6. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended December 31, 2022 are set out below:

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

In addition, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended December 31, 2022.

A7. Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of their office or employment, are likely to possess inside information of the Company and/or securities. Specific enquiry has been made of all the Directors and they have confirmed their compliance with the Model Code throughout the year ended December 31, 2022. In addition, no incident of non-compliance of the Model Code by the senior management of the Group was noted during the year ended December 31, 2022.

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

A8. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision A.2.1 of the CG Code.

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

B. BOARD COMMITTEES

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

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

B1. Remuneration Committee

The Remuneration Committee currently comprises a total of three members, being one non-executive Director, namely Mr. LIN Junshan, and two independent non-executive Directors, namely Mr. CHEN Geng (chairman of the Remuneration Committee) and Ms. WANG Fengli. Throughout the year ended December 31, 2022, the Company has met the Listing Rules requirements of having the majority of the Remuneration Committee members being independent non-executive directors as well as having the Committee chaired by an independent non-executive director.

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

During the year ended December 31, 2022, the Remuneration Committee has reviewed the existing remuneration policy and structure of the Company, the remuneration packages of Directors and senior management, and proposed remuneration package of the proposed independent non-executive Director and made relevant recommendations to the Board.

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

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended December 31, 2022 is set out below:

Remuneration band (HK$)	Number of individual
HK$1,000,001 — HK$1,500,000	4

The amount of remuneration includes the amortisation of the fair value of share-based compensation, wages, salaries, bonus, contribution to social securities and housing fund. Details of the remuneration of each Director for the year ended December 31, 2022 are set out in Note 10 to the consolidated financial statements contained in this annual report.

B2. Nomination Committee

The Nomination Committee currently comprises a total of three members, being one executive Director and the Chairman of the Board, namely Ms. Yue'e ZHANG (chairman of the Nomination Committee), and two independent non-executive Directors, namely Ms. WANG Fengli and Mr. WANG Xiaogang. Throughout the year ended December 31, 2022, the Company has met the Listing Rules requirements of having a majority of the Nomination Committee members being independent non-executive directors and having the Nomination Committee chaired by the chairman of the Board.

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

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

The Company also recognizes and embraces the benefit of having a diverse Board to enhance the quality of its performance. To comply with Rule 13.92 of the Listing Rules, a Board diversity policy was adopted by the Company, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board. As of the date of this annual report, the Board consisted of six Directors, including two female Directors and professionals in law and accounting, and the Board has achieved diversity in its membership in terms of gender, professional background and skill, etc. As of the date of this annual report, 2 of 4 of the Company's senior management are female. As of December 31, 2022, the Group had a total of 743 female staff out of 1,124 employees, representing 66.1% of the employees of the Group. The Group will continue to take opportunities to increase the proportion of female board members and workforce over time as and when suitable candidates are identified. For further details, please refer to the Environmental, Social and Governance Report of the Company.

The Board and the Nomination Committee have reviewed the implementation and effectiveness of the board diversity policy and considered it to be effective for the year ended December 31, 2022.

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

During the year ended December 31, 2022, the Nomination Committee has performed the following major works:

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

— Recommendation of the re-appointment of the retiring Directors standing for re-election at the AGM held on June 8, 2022 (the "2022 AGM"); and

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

In assessing the Board composition, the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records of each Nomination Committee member in the Nomination Committee meeting are set out in section A6 above.

B3. Audit Committee

The Company has met the Listing Rules requirements regarding the composition of the Audit Committee throughout the year ended December 31, 2022. The Audit Committee currently comprises a total of three members, being one non-executive Director, namely Mr. LIN Junshan, and two independent non-executive Directors, namely Mr. WANG Xiaogang and Mr. CHEN Geng. The chairman of the Audit Committee is Mr. WANG Xiaogang who possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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

During the year ended December 31, 2022, the Audit Committee has performed the following major works:

— Review and discussion of the annual financial statements, results announcement and report for the year ended December 31, 2021, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's financial reporting system, internal control and risk management review and processes; and the major internal audit issues for the year ended December 31, 2021 and the existing internal audit function of the Company;

— Consideration and recommendation of the re-appointment of BDO Limited as the external auditor of the Company at the 2022 AGM;

— Review and discussion of the interim financial statements, results announcement and report for the six months ended June 30, 2022 and the related accounting principles and practices adopted by the Group;

— Discussion of the nature, plan and scope of the Group's audit and the audit fee for the year ended December 31, 2022; and

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

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

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

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

The Directors have acknowledged their responsibilities for preparing the financial statements of the Group for the year ended December 31, 2022.

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

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

D. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assesses the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2022.

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

During the year ended December 31, 2022, the Board, as supported by the Audit Committee as well as the report from the management and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

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

E. COMPANY SECRETARY

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

Ms. SO and Tricor are responsible for providing advice to the Board on corporate governance matters. Ms. SO has confirmed that she has taken no less than 15 hours of relevant professional training during the year ended December 31, 2022.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the Company's financial statements for the year ended December 31, 2022 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to BDO Limited in respect of audit services and non-audit services for the year ended December 31, 2022 are analyzed below:

Type of services provided by the external auditor	Fees paid/ payable (RMB'000)
Audit services	
— Statutory audit services	1,980
Non-audit services	
— Review on interim results for the six months ended June 30, 2022	400
— Special auditing matters in respect of continuing connected transactions	45
TOTAL:	2,425

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

Address:	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Email:	ir@pwmedtech.com
Fax number:	(86) 10 80910699

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

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. It is the Company's general practice that the chairman of the Board as well as chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, their duly appointed delegates will be available to answer questions at the AGM and other general meetings of the Company. In addition, the Company will invite representatives of the auditor to attend its AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence, if any. The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective for the year ended December 31, 2022 with the above measures in place.

H. SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

ABOUT THIS REPORT

This is the seventh environmental, social and governance report issued by the Group (the "Report"), which will continue to report the Group's latest performance in environmental, social and governance aspects to the stakeholders[1] to facilitate their understanding of the performance of the Group in terms of environmental, social and governance issues. This Report is prepared in Chinese and English and has been uploaded to the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Group at www.pwmedtech.com.

Scope of Report

The scope of the Report continues to cover the Beijing-based plant related to the "Medical Device Business" of the Group (referred to as the "Fert Plant"), the relevant business accounts for 46.1% of the Group's revenue. During the reporting period, the Group additionally incorporates two companies into the scope of report, a company based in Chengdu and Guangzhou related to the "Blood Purification Business" namely Sichuan Ruijian Medical Technology Co. Ltd. ("Ruijian Medical"), and a company based in Beijing related to the "Regenerative Medical Biomaterials Business" namely Beijing Ruijian High Tech Biological Technology Co., Ltd. ("Ruijian Biological"). Among them, the business related to Ruijian Medical accounted for 53.7% of the Group's revenue, while the products of Ruijian Biological have not yet launched for sale and did not generate any revenue. This Report discloses the environmental, social and governance performance of the Group from January 1, 2022 to December 31, 2022 (the "Year").

Information on New Scope

Ruijian Medical

Ruijian Medical is a medical device company, principally engaged in the R&D, manufacturing and sales of medical device for blood purification. The products of the company include low-flux hemodialyzer, high-flux hemodialyzer, hollow fiber hemodialysis filter, and hemoperfutor. The company's products are primarily sold via distributors to medical service providers such as hospitals and blood purification centers in China for blood purification treatment of various kidney and blood-related disease patients. Ruijian Medical has obtained all requisite licenses from the relevant government authorities that are material for its business operations, including the Medical Device Operation License (醫療器械經營許可證), the Medical Device Production License (醫療器械生產許可證) and Export and Sales Certificate of Medical Device Products (醫療器械產品出口銷售證明). The expertise, R&D capabilities and established product pipeline of Ruijian Medical's will diversify the Group's product portfolio and accelerate the Group's expansion in the blood purification market.

Ruijian Biological

Ruijian Biological focuses on the development of regenerative medical biomaterials and the R&D of human tissue repair alternative products (such as biologic patch, oral cavity repair membrane and breast tissue patch products). Ruijian Biological possesses the enzyme-assisted tissue precision modification technology, which can be used in R&D of acellular dermal matrix ("ADM") materials containing complete extracellular matrix. ADM materials have the characteristic of low immunogenicity and low rejection and can be widely used in oral diseases, breast reconstruction, abdominal wall reconstruction, burns, cosmetology, tissue repair after tumor surgery, etc. As an innovative biotechnology company focusing on the development of regenerative medical biomaterials in China, Ruijian Biological has an outstanding R&D team with the experience and expertise necessary to enhance the Group's R&D capabilities and expand product pipeline.

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

Reporting Standards

The Report is prepared in accordance with the four reporting principles, namely materiality, quantitative, balance and consistency, specified in the Environmental, Social and Governance Reporting Guidance as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reporting Principles	Definition	Response
Materiality	Environmental, social and governance issues having great influences on the Group and various stakeholders should be highlighted.	The Group communicated with the stakeholders through various means during the Year and the relevant disclosure has been highlighted in the Report.
Quantitative	Key performance data needs to be measurable and compared where appropriate.	Key Performance Indicators ("KPIs") of the social part of the Group derived from relevant departments' statistics. In addition, to ensure the accuracy of the environmental KPIs, the Group has entrusted a professional consulting company to carry out carbon assessment by referring to different international standards. The Group has included relevant explanations and the standards, methodologies, assumptions and/or calculation tools adopted for quantitative data in the Report where appropriate.
Balance	Issuers should objectively and truthfully report their environmental, social and governance performance during the Year.	During the preparation of the Report, the Group not only focused on elaborating the environmental, social and governance results, but also described the difficulties encountered and solutions in such regard.
Consistency	Disclosure in the Report should adopt consistent methodologies for disclosure and statistics to enable meaningful comparisons of environmental, social and governance KPIs, and thus, obtain more knowledge on the corporate performance.	The methodologies for statistics adopted in the Report are the same as those of last year and the Group has compared the environmental, social and governance data for the Year with that of last year. Please refer to the section headed "Overview of Key Performance Indicators" for details.

Confirmation and Approval

The Group undertakes to use its best endeavours to ensure the accuracy and reliability of all information presented in the Report, and will manage such information by establishing internal monitoring and formal review procedures. The Report was confirmed and approved by the Board on March 30, 2023.

Feedbacks

The Group welcomes the opinions or recommendations from the stakeholders on its environmental, social and governance performance. Please contact the Group by the following means:

Address:	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
E-mail:	ir@pwmedtech.com

MESSAGE FROM DIRECTOR

As time passes and change occurs, the public has grown concern and interest on environmental and social issues, and the regulatory authorities has put more stringent requirements on the disclosure of environmental, social and governance performance of corporates. The Group has made active responses to this by integrating energy conservation and emission reduction strategies into the course of its business and contributing to the community as a fulfilment of its commitment to sustainability.

As a medical device manufacturer, the Group has been promoting the wellness of different patients through the R&D and production of various medical products. During the Year, with the acquisition of Sichuan Ruijian Medical Technology Co. Ltd. and Beijing Ruijian High-Tech Biological Technology Co., Ltd., the Group expanded into the blood purification industry and the regenerative medical biomaterials industry respectively. The establishment of such new business segments not only brings more opportunities but also poses greater challenges to the development of the Group, making the Group attach more importance to corporate compliance management and the protection of intellectual properties.

In 2022, the domestic pandemic prevention and control measures created a challenging time and the demand for medical treatment was suppressed for most time of the year, which made an impact on the Group's business. However, as the government relaxed the anti-pandemic policies towards the end of the year, people in the country began to gradually return to their normal daily life and focus on the standard of living, thus paying more attention to their health conditions and seeking immediate medical treatment on the occurrence of any health issue. As a result, the demand for medical treatment and consultation has gradually recovered and the market of the medical industry is expected to show a recovery in the future.

In 2021, the National Medical Products Administration issued the latest "Regulation on the Supervision and Administration of Medical Devices" (醫療器械監督管理條例) and the "Working Plan for the Mandatory Standardization and Optimization of Medical Devices" (醫療器械强制性標準優化工作方案), which marked the beginning of medical device supervision. The Group has in-depth insight into the new norm of the medical industry, in response to which, the Group has made targeted adjustment to the bidding strategies. During the Year, as a leader in the medical device industry in China, the Group continued to improve the quality control over its products, drive product R&D and continue to improve its capability to provide strong support to the industry and quality services to our product users.

As an industry leader in the development of innovative products, the Group recognizes innovation capability as a crucial factor for its long-term development. The Group has established a R&D team consisting of experienced members to work closely with surgeons, hospitals, university research centers and other research institutions. As of December 31, 2022, the Group owned 170 patents for its products and 41 new patents are in the process of application. Among the companies acquired by the Group during the Year, Sichuan Ruijian Medical Technology Co. Ltd. owns a number of independent intellectual property rights, capable of developing, designing and manufacturing the entire dialyzer production line independently and is a pioneer in the field of China-made hemodialysis consumables; and Beijing Ruijian High-Tech Biological Technology Co., Ltd. is engaged in the R&D and production of regenerative medical biomaterials and the R&D of human tissue repair alternative products using the latest tissue regeneration material technology. The growing professional R&D team will continue to strengthen the core competitive advantage of the Group and drive innovation in more areas of business.

The Group will continue its investment in product innovation and R&D. Following the R&D strategy of "produce and focus our R&D efforts for a leading next generation of products", it will focus on the safety and effectiveness of medical devices to fully demonstrate its role in technological support. Pursuing the philosophy of adhering to the medical healthcare and reverence for life, it provides a crucial safeguard for the medical device industry and makes contributions for the medical business in China with its best endeavors.

In the future, the Group will continue to incorporate the concept of sustainability into its business systems, for example, consciously reducing emissions and controlling energy consumption in operations, while integrating its action plans with climate change policies and sustainable development goals. As such, the Group will further optimize its environmental and social management systems, pay more attention to the physical and mental health of employees and give back to the community more actively on top of responding to the requirements of the regulatory authorities.

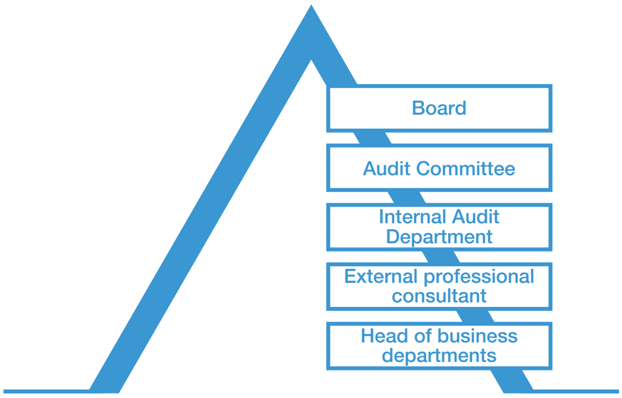
Chairman of the Board and CEO
Yue'e ZHANG

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group's ESG Philosophy, Governance Structure and Risk Management

The board of directors (the "Board") of the Group recognizes the importance of environmental, social and governance ("ESG") practices in meeting the ever-changing expectations of stakeholders and improving the Group's value and performance. Thus, the Board works closely with the management to take the overall responsibility for the evaluation and identification of ESG-related risks, so as to promote environmental and social sustainability among employees and to maintain the sustainable development of the Group.

Set out below is the ESG governance structure and functions of the Group:



Governing function		Scope of governing
Board	•	Assume the overall responsibility for evaluating the key ESG risks faced by the Group (e.g., material ESG issues relating to the Group such as supplier management and understanding the needs of society in terms of sustainability).
	•	Assume the overall responsibility for evaluating and determining the nature and extent of risks that are acceptable by the Group in achieving strategic goals, which include ESG risks, and establish and maintain appropriate and effective risk management and internal control system.
Audit Committee	•	Assist the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control system.
Internal Audit Department	•	Establish or improve the policy and procedures for addressing major risks, including ESG risks arising from operation.
	•	Review the sufficiency and effectiveness of the risk management and internal control system on a regular basis.
External professional consultant	•	Perform independent review of the risk management and internal control system annually.
	•	Ensure the procedures for identification, evaluation and management of major risks are able to identify the major features of the risk management and internal control system properly.
Head of business departments	•	Evaluate and identify the risks that potentially impact on the business of the Group and various aspects on an ongoing basis, including ESG risks arising from operation and deficiencies in internal control.
	•	Report any identified risks to the management.

During the Year, the Group has identified the following environmental, social and governance risks through comparison with industry peers, engagement of external professional teams to evaluate the Group, and analysis and monitoring of the latest regulatory requirements:

Environmental, social and governance risks	Impact	Countermeasures
Labor standards	The Group pays great attention to the potential labor issues arising from staff recruitment, management and other employment matters. In case of any misuse of child labor or forced labor, the Group's brand image will be negatively affected, and will also be exposed to corresponding legal risks, which will all have an adverse impact on the Group's operations.	• The Group strictly complies with relevant national laws and regulations, and has formulated various internal policies and multilevel approval systems within the Group, so as to ensure the employment procedures are in compliance with the standards set out in national and local laws and regulations.
Health and safety	The health and safety of employees are a key focus of the Group. If any issue related to employees' health and safety arises, their personal rights and interests as well as the relevant interests of the Group will be affected.	• The Group has formulated various policies regarding employees' health protection and production safety to effectively safeguard employees' rights in terms of health and safety; • The Group is committed to raising employees' awareness by adopting measures such as employee safety training and daily safety inspections, thus creating a healthy and safe working environment.
Product quality	Product quality is core to the Group's operation. If there is any risk relating to product quality, the Group's image and consumer confidence will be affected while the Group will also be subject to legal and other risks arising therefrom as well as economic losses.	• To guarantee product safety, the quality system department of the Group has established a quality management system and the corresponding corporate systems and standards; • The product R&D department and the technology department shall design and develop products according to the requirements of the National Medical Products Administration (NMPA), and the Group can carry out mass production of such products only after obtaining the registration certificate; and • The procurement department shall strictly screen out disqualified suppliers to ensure the quality of raw materials procured.

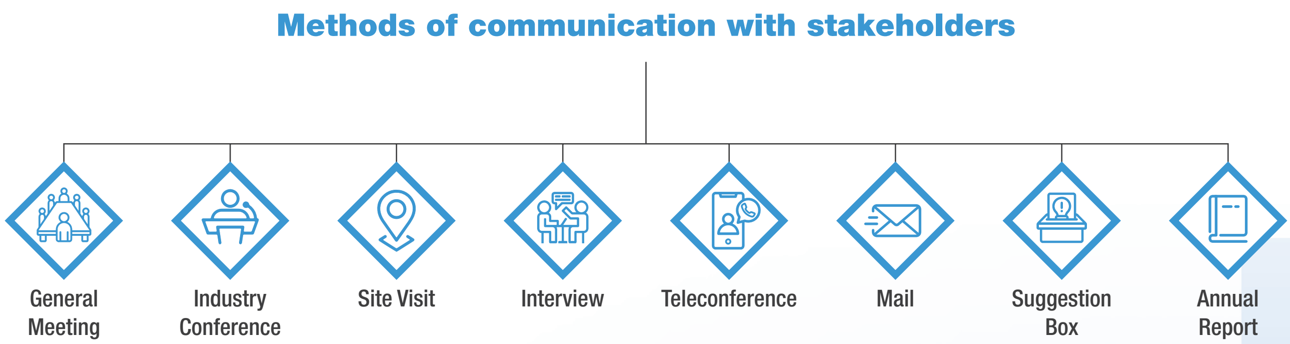
The Group evaluated the materiality of identified ESG risks to the Company mainly from the following perspectives: probability of occurrence (i.e., predicting the frequency based on historical operation) and the extent of impact, for example, in respect of financial impact, the damages, fines, additional income or new market expansion as a result of ESG issues.

Taking a top-down approach to promote sustainability, the Group incorporated ESG concepts in daily workplace practices through policies and guidelines. By turning all employees into sustainability ambassadors, it ensures ESG measures are extensively adopted to cover all its major business aspects. The Group's employees are responsible for compliance with various ESG-related policies and the implementation of corresponding ESG measures.

COMMUNICATION WITH THE STAKEHOLDERS

The Group has always attached great importance to communication with stakeholders. During the Year, it organized different activities to obtain stakeholders' opinions and recommendations on its environmental, social and governance practices. The Group believes that stakeholder participation could help better identify risks and opportunities in different aspects of environment, society and governance, and facilitate the formulation of more comprehensive management policies and measures. Methods of communication with stakeholders during the Year are as follows:

Internal stakeholders	External stakeholders
The Board, management, executives and staff	Shareholders, investors, suppliers, dealers, hospitals, medical staffs, patients, community groups or other cooperating organizations



Through different methods of communication with stakeholders mentioned above, the Group has determined the substantive issues for the Year, the details of which are as follows:

Substantive Issues	Reasons for Selection	Corresponding Section
Use of resources	The Group consumes a certain volume of raw materials and natural resources during its daily operations.	Promoting Green Production
Employment	As a responsible enterprise, the Group protects the rights and interests of the employees and considers them as the cornerstone of development.	Upholding the People-oriented Principle
Health and safety	The health and safety of employees have always been the focus of the Group and the Group aims at constructing healthy and safe plants.	Upholding the People-oriented Principle
Development and training	Cultivating the skill of employees significantly fuels corporate development and guarantees their career development.	Upholding the People-oriented Principle
Labor standards	Precluding child labor and forced labor has a significant impact on the Group's brand image and sustainable development performance.	Upholding the People-oriented Principle
Product responsibility	As a medical device manufacturer, the Group considers product quality as the core of its development.	Achieving Efficient Operation

UPHOLDING THE PEOPLE-ORIENTED PRINCIPLE

Relevant Policies

"Staff Manual" and "Measures for Prevention and Rectification of Misuse of Child Labor".

Safeguarding the legitimate rights and interests of employees, creating a safe employment environment and nurturing outstanding talents are not only the foundations for corporates to achieve operational targets, but also the key criteria for assessing their environmental, social and governance performance. The Group has formulated a series of policies to set out measures in respect of areas such as employee's remuneration, recruitment, dismissal, training, safety and labor standards. The Group maintains strict compliance with the national laws and regulations relating to employment and labor standards, which are set out in the section headed "Compliance Profile" below.

Comprehensive Employment System

Remuneration and dismissal

- The remuneration structure of the Group adopts the position-based salary system, which consists of two parts, namely basic salary and performance-based salary.
- If employees are found to provide false information, be absent from work continuously or commit other illegal acts, the Group has the right to terminate the employment.

Recruitment and promotion

- The human resources department of the Group is responsible for formulating recruitment plans according to the employment needs of each department, and implementing the same upon approval of the general manager.
- The Group conducts regular performance appraisals on employees, the results of which shall be used as the basis for assessing their future promotion.

Working hours

The Group unifies the overall planning of working hours to ensure employees have enough rest and maintain their physical well-being.

Holidays

The Group offers employees personal leave, sick leave, marriage leave, maternity leave and other leaves.

Equal opportunities and anti-discrimination

Complying with the relevant national laws and regulations, the Group undertakes to provide equal opportunities to all employees in aspects such as recruitment, training and career development, regardless of their gender, age, nationality or color, etc. Meanwhile, the Group is committed to creating an anti-discrimination working environment internally, where it maintains a zero-tolerance policy towards any form of discrimination.

Diversity

The Group encourages the establishment of a diversified working environment. Currently, the Group has employed ethnic minority employees and disabled employees.

Other benefits and welfare

The Group provides employees with additional benefits including canteens, fitness and entertainment centers, staff accommodation and communication allowance. Meanwhile, the Group actively organizes various cultural and sports activities to create a harmonious cultural atmosphere and a good working environment for employees.

Child labor

Strictly complying with the relevant national laws and regulations, the Group undertakes to prohibit the employment of child labor. According to the "Measures for Prevention and Rectification of Misuse of Child Labor", it inspects candidates' identification documents during the recruitment process to confirm their ages. Candidates who fail to meet the age requirement shall be disqualified immediately and their parents or legal guardians shall be notified promptly, so that the candidates can reunite with their parents or guardians at the original place of residence as soon as possible.

Forced labor

The Group strictly implements the relevant national laws and regulations during the course of work of the employees, and respects the employees' rights to resign on their own will.

Guarantee Health and Safety at Workplace

Occupational Safety

The Group attaches great importance to employees' health and safety through strict compliance with the "Production Safety Law of the People's Republic of China" and the "Law of Prevention and Control of Occupational Diseases of the People's Republic of China". Through the adoption of production approach with a "focus on preventive measures and a combination of prevention and control", types of position and employees that are at risk of exposing to occupational health and safety hazards are made known and notified. In addition, the Group engages third parties with professional qualifications to conduct annual environmental testing on dust and chemical pollutants that may endanger employees' health, so as to ensure compliance with national regulatory requirements in terms of workplace safety. All testing results were up to standard. Besides, the Group provides personal protective equipment to protect employees from occupational health hazards. Every year, the Group organizes professional occupational health checks for employees who may be exposed to occupational health and safety hazards and the examination results are normal. It also arranges special training at government-accredited institutions for employees at special positions, such as electricians and forklift operators and to ensure workplace safety. These employees are allowed to work only after they have obtained the qualification certificate.

Fire Safety

To enhance fire safety management of production, prevent fire, and avoid major personal and equipment accidents, the Group has formulated fire safety management standards in the staff manual. The Group organizes regular training for employees to promote and educate fire safety knowledge, so that employees can learn about the risk of fire related to their positions and work areas, master the operational skills of firefighting equipment, and build fire safety awareness. In addition, the Group has established a voluntary fire-fighting team to be in charge of the different areas in fire safety management under the guidance of the general manager. The voluntary fire-fighting team conducts fire drills on a regular basis.

Emergency Response

The Group has put the "Comprehensive Emergency Plan for Production Safety Accidents" in place to ensure normal production and operation, prevent and control potential accidents or emergencies in the course of production, and enable immediate and effective response after accidents. The "Comprehensive Emergency Plan for Production Safety Accidents" applies to various emergencies in the Fert Plant, including natural disasters, fires, electrical accidents, poisoning and burns. In case of a safety emergency, such as fire or explosion, the responsible personnel shall immediately evacuate the staff in a timely manner and promptly report to the police. If the situation is within control, employees may put out the fire with fire fighting equipment by themselves. Information on the location of all fire fighting equipment is available in the "Fire Equipment Management Ledger".

During the Year, the Group had three work-related injury cases in total, and those injured employees aggregately took 146 days off work. In view of the accidents, the Group organized a number of relevant operational trainings to improve the awareness of crisis prevention of employees and further standardized the operational procedure. In addition, the Group offers production safety training every month to enhance safety awareness among employees. During the Year, it organized 17 (2021: 24) occupational safety training programs for employees, covering 821 (2021: 363) employees, including all 338 employees of the Fert Plant. The Group takes responsibility for the health and safety of employees and also urges them to take responsibility for their own health and safety.

Provision of Development and Training Opportunities

The Group acknowledges the importance of staff training in improving their job skills. The human resources department is responsible for the overall planning and management of the Group's training, with each functional division responsible for, among others, mapping out the training plan and conducting training assessment of the respective department. The human resources department has formulated the "Training Management System" in the staff manual and categorized staff training into two parts, namely internal training and external training. Leveraging internal lecturers and external professional technology such as the third-party online professional training platforms acquired by the Group, the Group aims to enhance the occupational knowledge and skills of staff required for their job positions.

During the Year, the Group organized more than 150 training programs, including general training, departmental compliance training, industry standards training, laboratory and plant operation training, equipment use training and anti-corruption training, with a total of 7,759 training hours. In 2021, the Group organized more than 170 training programs, including general training, management training, professional skills training and anti-corruption training, with a total of 7,250 training hours.

PROMOTING GREEN PRODUCTION

Relevant Policies

"Regulations on the Management of Hazardous Chemicals".

With increasingly stringent requirements on the environmental performance of enterprises from the public and regulatory authorities, environmental sustainability has become one of the essential aspects for a corporate to fulfill its social responsibility. As a medical device manufacturing enterprise, the Group has been striving to reduce the impact on the environment throughout the entire product life cycle. In terms of the emission of exhaust gases and greenhouse gases, disposal of non-hazardous wastes and use of resources, the Group strictly complies with the relevant national laws and regulations, which are set out in the section headed "Compliance Profile" below.

Management of emissions and resources

Exhaust Gas Emission

The exhaust gases arising from the operation of the Group are mainly nitrogen oxides, sulfur oxides and respirable suspended particles from vehicles combusting fossil fuels and equipment consuming natural gas. During the Year, the nitrogen oxides, sulfur oxides and respirable suspended particles from vehicles combusting fossil fuels were 10.81 (2021: 8.60) kg, 0.41 (2021: 0.79) kg and 1.00 (2021: 0.81) kg respectively. The exhaust emissions from vehicles increased due to the new scope of report during the year. However, the sulfur oxide emission decreased compared to 2021 due to the change of emission factors. The nitrogen oxides, sulfur oxides and respirable suspended particles from the consumption of natural gas were 7,276.70 kg, 1,819.18 kg and 727.67 kg respectively.

The exhaust gases arising from the operation of the Fert Plant are mainly the ethylene oxide exhaust gas generated from sterilization of infusion sets, and nitrogen oxides, sulfur oxides and respirable suspended particles generated from vehicles combusting fossil fuels. During the Year, the nitrogen oxides, sulfur oxides and respirable suspended particles emitted by the Fert Plant were 8.97 kg, 0.36 kg and 0.91 kg respectively. The total mileage and fuel consumption of the existing vehicles of the Fert Plant during the Year were comparable with 2021. Therefore, the emissions of nitrogen oxides, sulfur oxides and respirable suspended particles did not vary significantly from that of 2021. During the Year, the Fert Plant purchased one new vehicle that meets the National Stage V Emission Standards and its mileage and fuel consumption were within normal limits compared to other vehicles. The Fert Plant used mainly ground source heat pumps instead of fossil fuels in the current and previous years, therefore no nitrogen oxide, sulfur oxide and respirable suspended particulate were generated.

The Fert Plant uses ethylene oxide to sterilize its products. During the construction of the ethylene oxide sterilization facilities, it took into consideration the control of pollution due to ethylene oxide exhaust gas and reserved space for the exhaust gas treatment equipment in the ethylene oxide sterilization workshop. In addition, the Group purchased the complementary treatment equipment for ethylene oxide exhaust gas in procuring the ethylene oxide sterilization cabinet, so that the exhaust gas generated from the sterilization process will be channeled to the exhaust gas treatment equipment before direct emission. The Company purchased the leading treatment equipment for ethylene oxide exhaust gas in the PRC. After being treated by the exhaust gas treatment equipment, the ethylene oxide exhaust gas will be converted into wastewater containing ethylene glycol, which will be treated by an appointed treatment company after reaching a certain amount. As a result, only an insignificant amount of exhaust gas is produced.

The exhaust gases arising from the operation of Ruijian Medical are mainly nitrogen oxides, sulfur oxides and respirable suspended particulates from vehicles combusting fossil fuels and production equipment and kitchen equipment consuming natural gas. All of the vehicles purchased by Ruijian Medical are certified products complying with national regulations and are inspected on a regular basis. During the Year, the total mileage and fuel consumption of Ruijian Medical's vehicles were within normal limits and the emissions of nitrogen oxides, sulfur oxides and respirable suspended particulates from the use of vehicles were minimal compared to the emissions from the use of natural gas. All the nitrogen oxides, sulfur oxides and respirable suspended particulates generated from the Group's use of natural gas were caused by the production equipment, kitchen equipment and other equipment of Ruijian Medical. Of these, 99.7% natural gas was used indirectly (to make the boilers work for steam) in the following four areas: solvent recovery station, spinning room, water injection system and cleaning room, and 0.3% was used directly in the kitchen equipment (company canteen). Ruijian Medical has upgraded its boilers and replaced them with low-NOx burners to effectively reduce the emissions of nitrogen oxides and engaged qualified third parties to conduct regular waste testing to ensure the emissions meet standards. Volatile organic compounds (VOCs) are generated during the spinning process of Ruijian Medical for the production of hemodialysis related products. However, with the use of water absorption method, VOCs are dissolved in water before being extracted, therefore, no VOC emissions are produced.

Ruijian Biological has not commenced formal production, and therefore no vehicle has been provided for official business trips. If necessary, employees generally choose to tak subway, bus or other types of public transportation, in order to implement the Group's policy on green travel. Public transportation usually produces less exhaust emissions. Whenever employees need to travel to places where public transportation is not readily available and the distance is long, Ruijian Biological arranges employees to use online car-hailing or private vehicle-for-hire services, which generate less exhaust. Therefore, the exhaust gases from Ruijian Biological were not included.

During the Year, the Group has set an emission target for exhaust gas emissions, taking into account the fact that the emissions from the use of its vehicles and natural gas and the ethylene oxide exhaust gas emissions from the sterilization process of infusion sets are related to the production and operation of its core business segments and are of increased importance to the Group's business and stakeholders. Taking 2022 as the base year and assuming that there are no significant changes in its business, the Group aims to maintain the intensity of nitrogen oxides at 0.08 kg/10,000 items, sulfur oxides at 0.02 kg/10,000 items and respirable suspended particulates at 0.01 kg/10,000 items for the next three years.

	Type	Emission for the Year	Intensity (based on production volume, i.e., kg/10,000 items)	Emission in 2021
Exhaust gas emission[2]	Nitrogen oxides (kg)	7,287.52	0.08	8.60
	Sulfur oxides (kg)	1,819.59	0.02	0.79
	Respirable suspended particles (kg)	728.67	0.01	0.81

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

Greenhouse Gas (GHG) Emission

The quantification process of the GHG emission was carried out by referring to the guidelines issued by the National Development and Reform Commission of China, ISO 14064-1, Greenhouse Gas Protocol, and other international standards.

During the Year, the total GHG emissions generated by the Fert Plant, Ruijian Medical and Ruijian Biological were approximately 16,688.97 tons of carbon dioxide equivalent. The GHG intensity of Scope 1 and Scope 2 was 0.08 tons of carbon dioxide equivalent/m^2 and 0.10 tons of carbon dioxide equivalent/m^2 respectively. Compared to 2021, the significant increase of 14,862.13 tons of carbon dioxide equivalent for the Year include 7,158.7 and 153 tons of carbon dioxide equivalent generated from the consumption of natural gas and refrigerant HCFC-22, respectively, by the newly acquired Ruijian Medical, and 6,913.08 tons of carbon dioxide equivalent generated from the consumption of electricity by both Ruijian Medical and Ruijian Biological. As the park where the Fert Plant is located uses centralized cooling equipment (i.e., ground source heat pump), and the refrigerant used by dozens of enterprises in the park varies from 7 to 30 kg every year, it is impractical to calculate the use of refrigerant by the Fert Plant separately. Therefore, there was no carbon dioxide equivalent generated from the use of refrigerant at the Fert Plant in the current and previous years.

The total GHG emissions generated by the Fert Plant in Beijing during the Year amounted to approximately 2,454.47 (2021: 1,826.84) tons of carbon dioxide equivalent, increased by 627.63 tons as compared to 2021, which was due to the GHG emissions from the newly acquired vehicles and the change of electricity emission factor. The GHG intensity (carbon dioxide equivalent in tons/m^2) also increased slightly. Of these, the mobile source of direct GHG emissions under Scope 1 and the indirect GHG emissions from energy consumption under Scope 2 accounted for 2.64% (2021: 3.13%) and 97.36% (2021: 96.87%) of the total GHG emissions respectively. During the Year, the Fert Plant continued to take relevant measures on energy conservation and consumption reduction, such as replacing the motion sensor lightings, controlling the temperature of ground source heat pumps and encouraging employees to save power. The difference of indirect GHG emissions from power consumption between the Year and 2021 was mainly affected by the change of electricity factor was mainly affected by the change of electricity emission factor.

During the Year, at Ruijian Medical, more than 10 air-conditioning units were refilled with refrigerant, resulting in higher refrigerant consumption. In order to reduce carbon emissions in the coming year, Ruijian Medical has taken relevant measures to save energy and reduce consumption, including converting electric cooling to air cooling, using inverters and other technologies to reduce energy consumption, and adjusting the operation of air-conditioners according to weather changes to reduce the consumption of electricity. Besides that, employees are encouraged to choose public transportation and the use of taxies are strictly controlled during business trips to reduce GHG emissions.

At Ruijian Biological, various energy conservation and consumption reduction measures have also been taken. At workplace, the usage of energy-saving and environmentally friendly LED lights are monitored. The all-in-one printers in the office are open to all departments of the company with account registration, preventing employees from printing irrelevant documents and generating additional energy consumption. The last employee leaving the office at the end of the day is required to inspect the entire area and switch off the lighting and air-conditioning equipment in the area. And the air-conditioner is set at an energy-efficient temperature to control the consumption of electricity and refrigerant.

According to the latest disclosure requirements, the disclosure of other indirect GHG emission under Scope 3 is not required. Thus, there are no statistics and disclosure for other indirect GHG emission under Scope 3 during the Year.

The Group's indirect GHG emission associated with energy under Scope 2 is generated from power consumption and is more material to the Group's business. Thus, in 2021, the Group has set up a target for indirect GHG emission associated with energy under Scope 2 by taking 2021 as the base year, assuming its business does not change materially. The target is to maintain the GHG intensity at 0.10 (Scope 1 and 2, carbon dioxide equivalent in tons/m^2) in the next three years. In pursuit of this goal, the Group actively promotes power saving among staff by designing and posting posters and slogans in key areas of the dormitory. As a result of the new scope of report during the Year, the Group's overall GHG intensity was 0.17 (Scope 1 and 2, carbon dioxide equivalent in tons/m^2), and the GHG intensity of the Fert Plant increased slightly from that of 2021 to 0.13 (Scope 1 and 2, carbon dioxide equivalent in tons/m^2) due to the change of electricity emission factor. As a result of the foregoing, the Group considers that the GHG intensity for the Year was relatively close to its target and that the target was largely achieved.

As a result of the new scope of report during the Year, the Group set a new target in respect of indirect GHG emission associated with energy under Scope 2. Taking 2022 as the base year and assuming that there are no significant changes in its business, the Group aims to maintain its overall GHG intensity at 0.17 (Scope 1 and 2, carbon dioxide equivalent in tons/m^2) in the next three years.

	Scope	Emission for the Year	Emission in 2021
GHG emission	Scope 1: Direct GHG emission (carbon dioxide equivalent in tons)	7,386.26	57.22
	Scope 2: Indirect GHG emission associated with energy (carbon dioxide equivalent in tons)	9,302.71	1,769.61
	Total GHG emissions (Scope 1 and 2, carbon dioxide equivalent in tons)	16,688.97	1,826.84
	GHG intensity (Scope 1 and 2, carbon dioxide equivalent in tons/m^2)	0.17	0.10

Wastewater Discharge

The wastewater generated by the Group is mainly from employees' domestic use and the wastewater that cannot be reused in the production process of Ruijian Medical. All wastewater has been discharged through the wastewater pipes via the municipal pipeline network to the local wastewater treatment plant. The total water consumption of the Fert Plant, Ruijian Medical and Ruijian Biological during the Year was 280,712 (2021: 26,775) m^3.

The total water consumption of the Fert Plant during the Year was 26,791 m^3, which was comparable to last year, mainly due to the Group's efforts to promote water conservation by strengthening water utilization monitoring and installing energy and water-saving equipment for daily water consumption at the dormitory. The Fert Plant has upgraded water treatment equipment and the domestic water leaked from the broken pipes is used for virescence irrigation in the park. Ruijian Medical recycles the wastewater produced during the process of production. Ruijian Biological has installed wastewater treatment equipment in accordance with environmental requirements in order to meet the discharge standards. The Group does not have a large water demand and has not experienced any difficulty in sourcing water.

Taking 2021 as the base year, assuming the Company's business does not change materially, its target on water efficiency is to maintain the water consumption intensity at 5.51 m^3/10,000 items in the next three years. In pursuit of the goal of such better water efficiency, the Group set up the rainwater collection system for greening purposes and installed energy and water-saving equipment for daily water consumption at the dormitory to reduce water use. As a result of the new scope of report during the Year, the Group's overall water consumption intensity was 48.95 m^3/10,000 items, and the water consumption intensity of the Fert Plant increased slightly from that of 2021 to 5.53 m^3/10,000 items. As a result of the foregoing, the Group considers that the water consumption intensity for the Year was relatively close to its target and that the target was largely achieved.

As a result of the new scope of report during the Year, the Group set a new target in respect of wastewater discharge. Taking 2022 as the base year and assuming that there are no significant changes in its business, the Group aims to maintain its water consumption intensity at 48.95 m^3/10,000 items in the next three years.

Waste Disposal

The wastes produced by the Group are mostly comprised of domestic garbage, all being non-hazardous wastes. All those wastes have been sent to a third party waste management facility for proper treatment. During the Year, the Group produced a total of 634.71 (2021: 248.20) tons of non-hazardous wastes, which were mainly comprised of domestic garbage. Among these, 285.00 tons of wastes were produced by the Fert Plant and the amount was similar to 2021.

The Group generated a total of 124.37 (2021: 0.58) tons of hazardous wastes during the Year, including laboratory waste liquids, used mineral oil, cutting fluid, organic solvent wastewater, oily wastes, steel needles and infusion tubes. Among these, 0.55 tons of wastes were produced by the Fert Plant, decreased slightly compared to 2021.

The significant increase in the amount of hazardous waste generated during the Year was due to the new scope of report, where Ruijian Medical generated 122.10 tons of hazardous waste, including organic solvent wastewater. As required by the production process, some products of Ruijian Medical need to be soaked with organic solvents. Upon completion of the process, some wastewater may be collected via recycling equipment for reuse, and those that cannot be recycled are treated as hazardous waste. To ensure the safe and effective treatment of these hazardous wastes, the Group established the "Regulations on the Management of Hazardous Chemicals" in compliance with the "Regulations on the Safety Administration of Dangerous Chemicals". It also sets up the hazardous chemical warehouse and hazardous waste warehouse to facilitate the collection and treatment of hazardous waste by qualified hazardous waste treatment companies.

Taking 2021 as the base year, assuming the Company's business does not change materially, its target on reducing non-hazardous and hazardous wastes is to maintain the waste intensity at 0.68 tons/employee and 0.0001 tons/10,000 items in the next three years respectively. In pursuit of the goal of reducing non-hazardous waste, the Group has implemented the waste sorting system and achieved waste reduction at source. As a result of the new scope of report during the Year, the Group's overall non-hazardous waste intensity and hazardous waste intensity was 0.77 tons/employee and 0.0217 tons/10,000 items respectively. The non-hazardous waste intensity and hazardous waste intensity of the Fert Plant increased from that of 2021 to 0.84 tons/employee and 0.0001 tons/10,000 items respectively, primarily due to the decrease in the number of employees. As a result of the foregoing, the Group considers that both of the non-hazardous waste intensity and hazardous waste intensity for the Year were relatively close to its targets and that the targets were largely achieved.

As a result of the new scope of report during the Year, the Group set new targets in respect of waste disposal. Taking 2022 as the base year and assuming that there are no significant changes in its business, the Group aims to maintain its non-hazardous waste intensity and hazardous waste intensity at 0.77 tons/employee and 0.0217 tons/10,000 items respectively in the next three years.

Use of Resources

The types of energy used in the Fert Plant, Ruijian Medical and Ruijian Biological are mainly gasoline and electricity. The major raw materials used in the Fert Plant, Ruijian Medical and Ruijian Biological are different and the respective statistics are disclosed below. The Group consumed a total of 949.75 tons of packaging materials for the Year and the intensity of packaging materials calculated by production volume was 0.17 tons/10,000 items.

The major raw materials used in the Fert Plant during the production process of finished products consist of polyvinyl chloride (PVC) granules and acrylonitrile butadiene styrene (ABS) plastics, with annual consumptions of 753.7 (2021: 661) tons and 231.23 (2021: 195) tons respectively, representing an increase of 14.02 (2021: a decrease of 10.0)% and 18.58 (2021: a decrease of 11.8)% respectively as compared with those of the previous year. In terms of packaging materials for finished products, a total of 558.15 (2021: 587) tons of packaging bags and packaging boxes were consumed, reduced by 4.91 (2021: 14.87)% as compared with that of the previous year. The intensity of packaging materials calculated by production volume was 0.11 (2021: 0.12) tons/10,000 items and did not vary significantly from 2021. When choosing raw materials and packaging materials, the Fert Plant mainly considers whether the materials meet the relevant standards of the medical device regulations. In order to ensure the quality of materials, the Fert Plant enters into quality technical agreements with all its suppliers, in which the requirements and responsibilities on quality are stipulated. Moreover, the Fert Plant inspects materials received according to the procurement inspection requirements and only the qualified materials can be put into production.

The annual consumptions of the major raw materials used in Ruijian Medical during the production process of finished products were 1,406.48 tons. A total of 391.35 tons of aluminum-plastic composite bags, paper boxes and polymer electrolyte membrane (PEM) membranes were consumed for the packaging materials of finished products, and the intensity of packaging materials calculated by production volume was 0.44 tons/10,000 items. When choosing raw materials and packaging materials, Ruijian Medical comprehensively considers the volatility, toxicity and recyclability of materials, and chooses the materials with low volatility, high innocuity and high recyclability. Ruijian Medical requires material suppliers to meet regulations in relation to quality and environmental protection and conducts inspection upon receiving materials according to applicable standards.

The major raw materials used in Ruijian Biological during the production and research process of finished products are biomaterials. 2.56 tons of biomaterials were consumed for the Year. A total of 0.24 tons of packaging bags were consumed for the packaging materials of finished products. When choosing raw materials and packaging materials, Ruijian Biological considers the device regulations, product quality requirements, sterilization methods and impact on the environment, specifically, the materials shall not contain any heavy metals and are degradable. Ruijian Biological eventually chooses qualified and environmentally friendly materials supplied by suppliers with quality certification and conducts quality inspection of materials in and out of storage.

In 2022, the Group consumed a total of 50,627.35 megawatt hours of energy, including 34,865.71 (2021: 208.50) megawatt hours of direct energy, most of which was the natural gas used by Ruijian Medical, reaching 34,594.02 megawatt hours. The total energy consumption of the Group also includes 15,761.64 (2021: 2,900.53) megawatt hours of indirect energy. The significant increase in the Group's total energy consumption compared to 2021 was mainly due to the consumption by the newly acquired Ruijian Medical. The Fert Plant consumed a total of 2,938.56 megawatt hours of energy for the Year, including 236.28 megawatt hours of direct energy and 2,702.27 megawatt hours of indirect energy, which did not vary significantly from 2021.

Taking 2021 as the base year, the Group's target on energy efficiency is to maintain the energy intensity at 0.64 megawatt hours/10,000 items in the next three years. Other resources consumed include water resources, raw materials and packaging materials. In 2022, the energy efficiency intensity of the Group was 8.83 megawatt hours/10,000 items, of which the energy efficiency intensity of the Fert Plant was 0.61 megawatt hours/10,000 items, which satisfied the target.

As the Group enlarged the scope of the report for the Year, the Group reset its target on energy use. Taking 2022 as the base year, assuming that there are no significant changes in its business, the target is to maintain the energy efficiency intensity at 8.83 megawatt hours/10,000 items for the next three years.

	Type	Consumption for the Year	Consumption in 2021
Energy use	Direct energy (Megawatt hours)[3]	34,865.7	208.5
	Indirect energy (Megawatt hours)	15,761.6	2,900.5
	Total energy consumption (Megawatt hours)	50,627.4	3,109.0
	Energy intensity (calculated by production volume, i.e., "Megawatt hours/10,000 items")	8.83	0.64

The Environment and Natural Resources

The Group may use hazardous chemicals, including ethylene oxide, alcohol, concentrated hydrochloric acid, concentrated nitric acid and concentrated sulfuric acid, in the course of daily production. To ensure proper storage and use of hazardous chemicals and minimize the impact of chemical leakage to the surrounding environment, the Group has established the "Regulations on the Management of Hazardous Chemicals". The document stipulates a three-tier protection mechanism, in which the procurement department, quality management department and production center are responsible for the procurement, inspection and warehouse management of hazardous chemicals respectively. In addition, the Group requires professional personnel to carry out the loading, unloading and storage works and collision, toppling and leakage are strictly prohibited during the transportation process of chemicals. The hazardous chemicals shall be stored in different areas based on their characteristics and fire safety signs shall be posted accordingly.

3 The calculation used in converting to and from kilowatt hours was made with reference to the "Energy Statistics Manual" published by the International Energy Agency.

The Group may produce hazardous wastes such as organic solvent wastewater, laboratory waste liquids and medical wastes in the course of daily production. The Group has set up a designated temporary storage room for hazardous wastes, the location and equipment of which must comply with the "Standard for Pollution Control on Hazardous Waste Storage". The Group has also stipulated the standard disposal methods for hazardous wastes and the related documents are posted on the walls. In addition, the Group has entered into transshipment contracts with qualified third party companies and the transshipment procedure shall comply with the environmental regulations for solid wastes in respective administrative regions. The hazardous wastes must be first transshipped to the temporary storage room for hazardous wastes regularly by the employees producing the hazardous wastes in the plant of the Group, and then regularly transshipped by the qualified third party companies.

The Group may produce household wastes, paper waste and other non-hazardous wastes in the course of daily operation. The Fert Plant, Ruijian Medical and Ruijian Biological have formulated and implemented the relevant rules for non-hazardous wastes. The cafeteria in the Fert Plant uses reusable cutlery to reduce the supply of disposable cutlery and plastic bags and uses environmentally friendly and recyclable packaging materials as far as possible. Meanwhile, the waste classification standard has been implemented for non-hazardous wastes throughout the Fert Plant. Ruijian Medical has formulated the "Management System on Solid Wastes" with detailed provisions on the disposal methods and management for various types of wastes. It has entered into contracts with qualified third party companies and appointed a dedicated personnel to arrange waste disposal accordingly. Ruijian Biological collects packaging from delivery services and recyclable wastes and reuse them whenever possible.

Responding to Climate Change

The Group recognizes the impact of climate change (e.g., flood, typhoon and fire) on business operation, so it strives to understand climate-related risks and formulates mitigation measures. According to the recommendations of the Task Force on Climate-Related Financial Disclosures, climate risks can be divided into transition risks (challenges that may be faced by the Company when adapting to changes in policy, legal environment, technology and market) and physical risks (potential effect of extreme weather events on the Company). After analysis, the transition risks identified by the Group included the promulgation of energy saving and emission reduction policies, more stringent emission reporting obligation and compliance requirements, while its physical risks included extreme wind events, rainstorm, fire, power disruption, staff safety during commute and risk of potential work-related injury in an unsafe environment created by emergencies.

In view of the above risks, the Group has developed various mitigation policies, including the "Emergency Plan for Production Safety Accidents", the "Emergency Plan for Floods" and the "Emergency Plan Process for Property Security". For instance, with regard to floods caused by heavy rain, the property management department has set up the emergency core team to organize and establish various emergency response teams for risk management, including the alert unit, emergency rescue unit, equipment repair unit and relief work unit. It also carries out emergency drills to enhance risk responses.

ACHIEVING EFFICIENT OPERATION

The Group is committed to optimizing supply chain management, enhancing product quality and upholding business ethics. It aims at meeting customers' needs by providing safe and practical medical products.

Managing the Supply Chain

Relevant policies

"Regulations on the Management of Supplier Audit".

The Group understands that the management of environmental and social risks of the suppliers is important to the supply chain ecosystem as a whole. It has formulated the above policy for the stringent screening of suppliers by the procurement department, which is supported by the technology department, R&D department, production department and quality management department. The Group prefers to procure from qualified suppliers that have maintained stable supply over the years. In case it needs new suppliers, the procurement department will research and gather market information to identify candidate suppliers with suitable production capacity, consistent quality and a commitment to contractual obligations. The Group performs a comprehensive evaluation of existing suppliers at the end of each year, where relevant departments will jointly review and analyze their product quality, delivery capability, product pass rate and technology level and give scores. For suppliers that fail to meet the Group's requirements in terms of environmental, social, product quality and delivery performance, the Group will offer recommendations for improvement or disqualify them depending on the actual situation. Meanwhile, the Group will pay attention to the changes in the national laws and regulations, take note of the policy changes that may affect the supply of raw materials to the Group in real time, and conduct adjustments accordingly in a timely manner. In order to protect the Group's trade secrets, the disclosure of the specific supply types of suppliers has been removed from the following tables for the current year.

Environmental requirements for suppliers	Social requirements for suppliers
Investigate the environmental performance of the suppliers, including their exhaust gas emission, sewage discharge and use of resources.	Suppliers should submit inspection reports from qualified inspection centers on the use of certain hazardous chemicals.

Maintaining Product Responsibility

Relevant policies

"Product Protection and Control Procedures", "Production Process Control Procedures", "Product Recall Management and Control Procedures", "Regulations for the Management on the use of Labels and Qualification Seals", "Staff Manual" and "Agreement on Quality Assurance and After-sales Services".

Quality Management

The Group has always placed great emphasis to product quality management. It has formulated stringent measures for product manufacturing, storage, delivery and recall, so as to ensure its product quality complies with relevant requirements.

Product Manufacturing

- Based on product characteristics, the technology department has compiled the "Process Documentation" to specify all the production process requirements and procedures of all manufacturing techniques from raw materials to finished products.
- The Group enhances control over equipment, materials, production environment and personnel. In terms of equipment control, the production department carries out repair and maintenance work on production equipment to ensure they operate properly and meet production needs. For material control, all materials entering the production workshop must have passed the incoming material tests. With regard to production environment control, the production department is responsible for the operation, repair and maintenance of sterilization equipment at the clean zone. As to personnel control, the technology department strictly complies with the requirements of the technical documents and provides regular training for operators to ensure they are familiar with the operating procedures.

Product Storage

- According to the requirements of the Product Protection and Control Procedures, warehouse managers check the items stored in the warehouses regularly and report any quality issues promptly to dispose the items accordingly.
- Warehouse managers carry out procedures for prevention of moisture, dust and contamination within the warehouses on a regular basis.

Product Delivery

- Staff carries products in strict compliance with the instructions on the product labels. All delivery vehicles shall be covered with waterproof cloths to prevent products from being contaminated.
- For shipping arrangements made on behalf of customers, the logistics department chooses the suitable mode of shipping and completes the shipping procedures.
- As for products delivered to customers, the delivery personnel will bind the products and use cushioning and rainproof materials in transit, to ensure product quality before delivery.

Product Recall

- If there are human health or safety risks in the products, the Group will immediately act in accordance with the "Product Recall Management and Control Procedures". The technology department shall determine whether to start the recall procedures.
- In case of a recall, the quality management department will publish a recall notice for the defective products, and the business department will notify the distributors, as well as entities and persons using such products. The recall notice will specify the name, specification, models, batch number and other basic information of the products to be recalled, the reason for the recall, and the requirements of the recall such as termination of sales and use of the products immediately and the treatment of recalled products. At the same time, the quality management department will notify and file a record with the Beijing Municipal Medical Products Administration and complete the Report of Medical Device Recall Event within 5 days.
- Following the completion of the product recall, the quality management department will document all relevant records and archive for future reference.

During the Year, the Group did not (2021: did not) receive product complaints and did not (2021: did not) recall products. To ensure timely and effective handling of customer complaints and to maintain meaningful communication with customers, the Group has formulated the "Customer Complaint Handling Control Procedure". The procedure specifies the duties of all departments, including the marketing department, quality management department and technology department, which handle product complaints from customers based on this standard.

Product Labels

The Group attaches labels to its products which contain information that helps patients and physicians to understand its use. Thus, all of its production teams will collect corresponding labels at the warehouses based on product characteristics.

Privacy Protection

The Group ensures the maximum protection of the interests of consumers through establishment of a sound quality management system. The Group understands different customers' opinions and suggestions on its products via questionnaires and telephone communication in the ordinary course of business. The content involving customer privacy is regarded as the Group's trade secret and is centrally managed by the human resources department. In order to strengthen confidentiality management, the human resources department has devised the confidentiality system incorporated in the staff manual to facilitate relevant confidentiality measures. The Group stipulates that confidential files of the Company are not allowed to be reproduced without approval and company files are not allowed to be used for purposes other than the Company's business. If employees believe that the trade secrets of the Company are at risk of being exposed, they are obliged to report to the immediate supervisor and take preventive measures promptly.

Intellectual Property Rights

The Group deeply acknowledges the importance of intellectual property rights to its future development. According to the guidance opinion of the China National Intellectual Property Administration on patent-related works of enterprises and businesses, it has formulated a series of patent-related regulations and systems, such as the "Enterprise Patent Management System" and the "Patent Award Management System". The provision of products involving in any intellectual property rights dispute by its business partners, including its suppliers, is expressly forbidden by various policies. In addition, the Group undertakes that it will safeguard its intellectual property rights and respect those of its business partners.

Currently, the Group's operation does not involve any product advertisement so far. Hence, it has not formulated the relevant policies. In the future, the Group will update such policies depending on its business development.

Elimination of Corruption

Relevant policies
"Anti-fraud Policy", "Whistleblowing Policy", "Probity Statement", "Procurement Principles" and "Staff Manual".

The Group strives to build a culture of probity as it acknowledges its importance to business development in the long run. All employees shall sign the Letter of Commitments on Integrity and Self-discipline. Pursuant to this, they undertake not to seek rebates from any business partners, which include cash, payment in kind or securities, and not to commit any misconduct by offering benefits to hospital staff in any name. In case of any misconduct, the Group will impose corresponding punishments on the relevant staff or refer to the relevant judiciary authorities depending on the seriousness of the case.

During the Year, the Group included training on upholding integrity in the orientation training for new staff. Training hours for such training were included in the section headed "Provision of Development and Training Opportunities" above.

SUPPORT SOCIAL WELFARE

Relevant policies
"Community Investment Policy".

The Group puts great emphasis on social welfare investment. In the "Community Investment Policy", it is specified that social welfare investment and business operation complement each other. During the Year, each segment under the Group actively participated in various awareness building events to share medical and health knowledge to the public.

Looking forward, the Group will make use of its expertise and resources in various projects, plans and initiatives strategically, so as to bring positive impacts to social development in both short and long term.

COMPLIANCE PROFILE

Compliance with the relevant laws and regulations

Aspect	Relevant laws and regulations	Compliance disclosure	Possible material impact on the Company	Measures to ensure compliance with the laws and regulations
A1 **Emissions**	• The Environmental Protection Law of the People's Republic of China • The Law of Prevention and Treatment of Water Pollution of the People's Republic of China • The Atmospheric Pollution Prevention and Control Law of the People's Republic of China	During the Year, the Group has not identified any cases of non-compliance with the laws and regulations regarding emissions.	The Group may face administrative punishments and order of business suspension for serious cases.	The Group complies with environmental protection laws, regulations and requirements, formulates the relevant corporate policy management system and regulatory control procedures, and carries out treatment and discharge of emissions in line with relevant laws, regulations and requirements.
B1 Employment	• The Labor Law of the People's Republic of China • The Labor Contract Law of the People's Republic of China	During the Year, the Group has not identified any cases of non-compliance with the laws and regulations regarding employment.	The Group may face administrative and legal punishment, which would bring negative impacts and corresponding legal risks to its brand image.	Based on the relevant legal requirements, the human resources department formulates the "Recruitment Procedure" and upholds the principles of openness, fairness and justice in talent recruitment and management.
B2 Health and Safety	• The Production Safety Law of the People's Republic of China • The Law of Prevention and Control of Occupational Diseases of the People's Republic of China • The Fire Control Law of the People's Republic of China	During the Year, the Group has not identified any cases of non-compliance with the laws and regulations regarding health and safety.	The individual rights of employees and corresponding rights of the Group may be affected. Meanwhile, the Group may also face the risk of legal proceedings.	The Group reviews and updates relevant mechanisms regularly, so as to ensure all safety measures are complied with laws and regulations, and are implemented in a proper manner.
B4 Labor Standards	• The Labor Law of the People's Republic of China • The Law on Protection of Minors of the People's Republic of China	During the Year, the Group has not identified any cases of non-compliance with the laws and regulations regarding labor standards.	The Group's reputation in the market may be affected.	The Group forbids the use of child and forced labor at all operation sites. It has also formulated a number of internal measures and control procedures to prevent child and forced labor.

Aspect	Relevant laws and regulations	Compliance disclosure	Possible material impact on the Company	Measures to ensure compliance with the laws and regulations
B6 Product Responsibility	• The Product Quality Law of the People's Republic of China • The Patent Law of the People's Republic of China • Rules for Implementation of the Patent Law of the People's Republic of China	During the reporting period, the Group has not identified any cases of non-compliance with the laws and regulations regarding product responsibility.	This not only affects the Group's image and consumers' confidence, but also causes legal and other risks as well as economic loss to the Group.	Based on the requirements of the National Medical Products Administration, the product R&D department and the technology department design and develop products. The procurement department adopts stringent supply chain management. The quality control department performs quality inspection procedures on all segments through the corresponding mechanism.
B7 Anticorruption	• The Anti-Unfair Competition Law of the People's Republic of China • The Anti-Money Laundering Law of the People's Republic of China	During the reporting period, the Group has neither been involved in any proceedings regarding corruption that were brought against the Group or its employees, nor violated relevant laws and regulations which have a material impact on the Group.	It would increase the operating cost of the Group and cause economic loss.	The "Staff Manual" has specified the code of conduct that the staff must follow and the zero-tolerance approach towards illegal activities, such as corruption and bribery. The Group also offers training to raise the anti-corruption awareness of employees.

OVERVIEW OF KEY PERFORMANCE INDICATORS

Environmental Performance

	Type	Emission for the Year	Emission in 2021
Exhaust gases	Nitrogen oxides (kg)	7,287.52	8.60
	Sulfur oxides (kg)	1,819.59	0.79
	Respirable suspended particles (kg)	728.67	0.81

	Scope	Emission for the Year	Emission in 2021
GHG emission	Scope 1: Direct GHG emission (carbon dioxide equivalent in tons)		
	Fossil fuel combustion — fixed source	7,158.7	0.0
	Fossil fuel combustion — mobile source	74.6	57.2
	Refrigerants	153.0	0.0
	Scope 2: Indirect GHG emission associated with energy (carbon dioxide equivalent in tons)		
	Purchased electricity	9,302.7	1,769.6
	Total GHG emissions (carbon dioxide equivalent in tons)	16,689.0	1,826.8
	GHG intensity (carbon dioxide equivalent in tons/m^2)	0.17	0.10

	Type	Generation for the Year	Generation for 2021
Wastes	Hazardous wastes (tons)	124.37	0.58
	Intensity of hazardous wastes (calculated by production volume, i.e., "tons/10,000 items")	0.0217	0.0001
	Non-hazardous wastes (tons)		
	Domestic waste	634.7	248.2
	Intensity of non-hazardous wastes (calculated by the number of employees, i.e., "tons/number of employees")	0.77	0.68

	Type	Consumption for the Year	Consumption for 2021
Use of energy	Direct energy (Megawatt hours)		
	Gasoline	271.7	208.5
	Natural gas	34,594.0	—
	Indirect energy (Megawatt hours)		
	Electricity	15,761.6	2,900.5
	Total energy consumption	50,627.4	3,109.0
	Energy intensity (calculated by production volume, i.e., "Megawatt hours/10,000 items")	8.83	0.64

		Consumption for the Year	Consumption for 2021
Use of water resources	Total water consumption (m^3)	280,712	26,775
	Intensity of water consumption (calculated by production volume, i.e., "m^3/10,000 items")	48.95	5.51

		Consumption for the Year	Consumption for 2021
Use of packaging materials	Total packaging materials (tons)	950	587
	Intensity of packaging materials (calculated by production volume, i.e., "tons/10,000 items")	0.17	0.12

Social Performance

Employee Distribution		Number of employees for the Year	Number of employees in 2021
Gender	Male	432	137
	Female	398	226
Type of employment	Key management	22	7
	Management	38	13
	General staff	770	343
Form of employment	Full-time	830	343
	Part-time	0	0
Age	Below 30	168	65
	30–40	420	216
	41–50	215	74
	Above 50	27	8
Gender ratio (male: female)		1.09:1	0.61:1
Total		821	363
Labor staff	Security staff	4	4
	Central control staff	4	4
	Cleaning staff	6	6

Employee Distribution		Distribution and percentage of resigned employees for the Year[4]	Distribution and percentage of resigned employees for 2021[5]
Gender	Male	77 (17.8%)	57 (41.6%)
	Female	153 (38.4%)	82 (36.3%)
Age	Below 30	64 (38.1%)	38 (58.5%)
	30–40	120 (28.6%)	82 (38.0%)
	41–50	39 (18.1%)	19 (25.7%)
	Above 50	7 (25.9%)	0 (—)
Total number and percentage[5]		230 (27.7%)	139 (38.3%)

4 Number of resigned employees in the category divided by the number of employees in the category as at the end of the year.

5 Number of resigned employees divided by the number of employees as at the end of the year.

Occupational safety and health performance	Indicator for the Year	Indicator for 2021	Indicator for 2020
Work-related fatalities and percentage	0	0	0
Number and percentage of employees who suffered from work-related injuries	3 (0.4%)	1 (0.3%)	1 (0.2%)
Lost working days due to work-related injuries	146	3	2

Training		Distribution and percentage of employees receiving training[6]	Data for the Year Training hours (hours)	Average training hours (hours)[7]
Gender	Male	321 (39.1%)	2,678	6.2
	Female	500 (60.9%)	5,081	12.8
Type of employment	Key management	21 (2.6%)	431	22.7
	Management	37 (4.5%)	762	20.1
	General staff	763 (92.9%)	6,566	8.5

Training		Distribution and percentage of employees receiving training	Data for 2021 Training hours (hours)	Average training hours (hours)
Gender	Male	137 (37.7%)	2,700	19.7
	Female	226 (62.3%)	4,550	20.1
Type of employment	Key management	7 (1.9%)	328	46.9
	Management	13 (3.6%)	657	50.5
	General staff	343 (94.5%)	6,265	18.3
Total number of employees receiving training and training hours			Data for the Year	
		821 (98.92%)	7,759	9.4
			Data for 2021	
		363 (100%)	7,250	20.0

6 Number of employees receiving training in the category divided by the total number of employees receiving training.

7 Training hours of employees of the gender or the type of employment divided by the number of employees as at the end of the year.

Regions in which the suppliers are located	Data for the Year Number of suppliers
Eastern China	615
Central China	49
Southern China	204
Northern China	213
Northeast Region	11
Western China	2
Southwest Region	710
Northwest Region	13
Overseas	3

Regions in which the suppliers are located	Data for 2021 Number of suppliers
Eastern China	67
Central China	4
Southern China	11
Northern China	33

APPENDIX — FERT PLANT

Environmental Performance

	Type	Emission for the Year	Emission in 2021
Exhaust gas	Nitrogen oxides (kg)	8.97	8.60
	Sulfur oxides (kg)	0.36	0.79
	Respirable suspended particles (kg)	0.91	0.81

	Scope	Emission for the Year	Emission in 2021
Greenhouse Gas (GHG) Emission	Scope 1: Direct GHG emission (carbon dioxide equivalent in tons)		
	Fossil fuel combustion-fixed source	0.0	0.0
	Fossil fuel combustion-mobile source	64.9	57.2
	Refrigerants	0.0	0.0
	Scope 2: Indirect GHG emission associated with energy (carbon dioxide equivalent in tons)		
	Purchased electricity	2,389.6	1,769.6
	Total GHG emissions (carbon dioxide equivalent in tons)	2,454.5	1,826.8
	GHG intensity (carbon dioxide equivalent in tons/m^2)	0.13	0.10

	Type	Generation for the Year	Generation for 2021
Wastes	Hazardous wastes (tons)	0.55	0.58
	Intensity of hazardous wastes (calculated by production volume, i.e., “tons/10,000 items”)	0.0001	0.0001
	Non-hazardous wastes (tons)		
	Domestic waste	285.0	248.2
	Intensity of non-hazardous wastes (calculated by the number of employees, i.e., “tons/number of employees”)	0.84	0.68

	Type	Consumption for the Year	Consumption for 2021
Use of energy	Direct energy (Megawatt hours)		
	Gasoline	236.3	208.5
	Indirect energy (Megawatt hours)		
	Electricity	2,702.3	2,900.5
	Total energy consumption	2,938.6	3,109.0
	Energy intensity (calculated by production volume, i.e., "Megawatt hours/10,000 items")	0.61	0.64

		Consumption for the Year	Consumption for 2021
Use of water resources	Total water consumption (m^3)	26,791	26,775
	Intensity of water consumption (calculated by production volume, i.e., "m^3/10,000 items")	5.53	5.51

		Consumption for the Year	Consumption for 2021
Use of packaging materials	Total packaging materials (tons)	558	587
	Intensity of packaging materials (calculated by production volume, i.e., "tons/10,000 items")	0.11	0.12

Social Performance

Employee Distribution		Number of employees for the Year	Number of employees in 2021
Gender	Male	129	137
	Female	209	226
Type of employment	Key management	7	7
	Management	12	13
	General staff	319	343
Form of employment	Full-time	338	343
	Part-time	0	0
Age	Below 30	52	65
	30–40	180	216
	41–50	95	74
	Above 50	11	8
Gender ratio (male: female)		0.62:1	0.61:1
Total		338	363
Labor staff	Security staff	4	4
	Central control staff	4	4
	Cleaning staff	6	6

Employee Distribution		Distribution and percentage of resigned employees for the Year[8]	Distribution and percentage of resigned employees for 2021[9]
Gender	Male	35 (27.1%)	57 (41.6%)
	Female	96 (45.9%)	82 (36.3%)
Age	Below 30	30 (57.7%)	38 (58.5%)
	30–40	75 (41.7%)	82 (38.0%)
	41–50	22 (23.2%)	19 (25.7%)
	Above 50	4 (36.4)	0 (—)
Total number and percentage[9]		131 (37.4%)	139 (38.3%)

8 Number of resigned employees in the category divided by the number of employees in the category as at the end of the year.

9 Number of resigned employees divided by the number of employees as at the end of the year.

Occupational safety and health performance	Indicator for the Year	Indicator for 2021	Indicator for 2020
Work-related fatalities and percentage	0	0	0
Number and percentage of employees who suffered from work-related injuries	0 (0.0%)	1 (0.3%)	1 (0.2%)
Lost working days due to work-related injuries	0	3	2

Training		Distribution and percentage of employees receiving training[10]	Data for the Year Training hours (hours)	Average training hours (hours)[11]
Gender	Male	129 (38.2%)	2,046	15.9
	Female	209 (61.8%)	4,093	19.6
Type of employment	Key management	7 (2.1%)	318	45.4
	Management	12 (3.6%)	647	53.9
	General staff	319 (94.4%)	5,174	16.2

Training		Distribution and percentage of employees receiving training	Data for 2021 Training hours (hours)	Average training hours (hours)
Gender	Male	137 (37.7%)	2,700	19.7
	Female	226 (62.3%)	4,550	20.1
Type of employment	Key management	7 (1.9%)	328	46.9
	Management	13 (3.6%)	657	50.5
	General staff	343 (94.5%)	6,265	18.3
Total number of employees receiving training and training hours			Data for the Year	
		338 (100%)	6,139	18.2
			Data for 2020	
		363 (100%)	7,250	20.0

10 Number of employees receiving training in the category divided by the total number of employees receiving training.

11 Training hours of employees of the gender or the type of employment divided by the total number of employees as at the end of the year.

Regions in which the suppliers are located	Data for the Year Number of suppliers
Eastern China	67
Central China	4
Southern China	11
Northern China	41
Overseas	3

Regions in which the suppliers are located	Data for 2021 Number of suppliers
Eastern China	67
Central China	4
Southern China	11
Northern China	33

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended December 31, 2022.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on May 13, 2011 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The Company is an investment holding company, and its subsidiaries established in the PRC are primarily engaged in (i) the Infusion Set Business; (ii) the Blood Purification Business; and (iii) the Regenerative Medical Biomaterial Business.

The activities and particulars of the Company's subsidiaries are shown under Note 37 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year ended December 31, 2022 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year ended December 31, 2022, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. A discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" in this annual report. In addition, a description of the environmental policies and performance of the Company is set out in the section headed "Environmental, Social and Governance Report" in this annual report. These discussions form part of this directors' report.

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended December 31, 2022 are set out on pages 91 to 97 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2022 (2021: Nil).

DIVIDEND POLICY

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

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

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

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

ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held on June 6, 2023. The notice of the annual general meeting will be published and dispatched in due course in the manner as required by the Listing Rules.

CLOSURE OF THE REGISTER OF MEMBERS FOR 2023 AGM

For determining the entitlement to attend and vote at the 2023 AGM to be held on June 6, 2023, the register of members of the Company will be closed from June 1, 2023 to June 6, 2023, 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 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on May 31, 2023.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 11 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended December 31, 2022 are set out in Note 14 to the consolidated financial statements on page 137 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended December 31, 2022 are set out in Note 27 to the consolidated financial statements on page 151 of this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2022, other than the Pre-IPO Share Option Scheme and Share Option Scheme as set out in the section under "Pre-IPO Share Option Scheme and Share Option Scheme" and Note 31 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2022 are set out in Note 28 to the consolidated financial statements on page 152 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company's distributable reserves were RMB2,614.3 million.

BORROWINGS

As at December 31, 2022, the Group's borrowing balance was nil.

DONATIONS

During the year ended December 31, 2022, the Group did not make any charitable donations (2021: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 Reporting 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 Reporting Period.

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

During the Reporting 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 2 March 2022 and 836,000 Shares had been cancelled on 22 September 2022. Details of the Share repurchases are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share		Aggregate consideration
		Highest	Lowest	
		HK$	HK$	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 had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2022.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Board during the year ended December 31, 2022 and up to the date of this report consists of the following six Directors:

Executive Director

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

Non-executive Directors

Mr. JIANG Liwei
Mr. LIN Junshan

Independent Non-executive Directors

Mr. WANG Xiaogang
Mr. CHEN Geng
Ms. WANG Fengli

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS

The Company has issued a letter of appointment to each of Ms. Yue'e ZHANG, the executive Director, and Mr. JIANG Liwei, a non-executive Director, for a term of 3 years from February 3, 2021 and March 31, 2022, respectively. The Company has also issued a letter of appointment to each of Mr. LIN Junshan, a non-executive Director, and Mr. WANG Xiaogang and Mr. CHEN Geng, independent non-executive Directors, for a term of three years from October 15, 2022. The Company has also issued a letter of appointment to Ms. WANG Fengli, an independent non-executive Director, for a term of three years from August 1, 2021.

The term of office of each of the Directors is subject to termination, and termination notice within three months can be served either by the Director or the Company. The appointment may be renewed in accordance with the Articles and the applicable rules.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors. The Company considers such Directors to be independent.

CONTRACT WITH DIRECTORS AND CONTROLLING SHAREHOLDER

No contract of significance has been entered into among the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries during the year ended December 31, 2022.

DIRECTOR'S INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as disclosed in this report, no transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party, and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2022.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

The remuneration (including fees, salaries, retirement benefit scheme contribution or other benefits paid to the Directors in aggregate for the year ended December 31, 2022 was approximately RMB2.1 million.

The remuneration (including salaries, retirement benefit scheme contribution or other benefits paid to the Group's five highest paid individuals in aggregate for the year ended December 31, 2022 was approximately RMB5.4 million.

For the year ended December 31, 2022, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended December 31, 2022.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 10 to the consolidated financial statements on pages 132 to 133 of this annual report.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this annual report and in Note 31 to the consolidated financial statements on page 156 of this annual report.

Save as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2022, by the Group to or on behalf of any of the Directors.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESS

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

DEED OF NON-COMPETITION

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

The Covenantors declared that they have complied with the Non-competition Deed for the year ended December 31, 2022. The independent non-executive Directors have conducted such review for the year ended December 31, 2022 and also reviewed the relevant undertakings and are satisfied that the Non-competition Deed has been fully complied.

PENSION SCHEME

Details of the pension scheme of the Company are set out in Note 4.14 to the financial statements.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in the Articles for the benefit of the Directors is currently in force and was in force throughout the year ended December 31, 2022.

MANAGEMENT CONTRACTS

Other than the Directors' appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended December 31, 2022.

LOAN AND GUARANTEE

During the year ended December 31, 2022, the Group had not made any loan or provided any guarantee for any loan, directly or indirectly, to the Directors, senior management, its ultimate controlling Shareholder or their respective connected persons.

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at December 31, 2022, there were no matters that gave rise to a disclosure required under Rule 13.18 of the Listing Rules.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

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

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

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

Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the year ended December 31, 2022 are set out below:

Name or category of option holders	Outstanding as at January 1, 2022	Number of options Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2022
Directors of the Company						
Mr. WANG Xiaogang	118,471	—	—	—	—	118,471
Total	118,471	—	—	—	—	118,471

Note:

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

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

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

The Pre-IPO Share Option Scheme does not fall within the ambit of, and are not subject to, the regulations under Chapter 17 of the Listing Rules. Details of the impact of options granted under the Pre-IPO Share Option Scheme on the financial statements since the date of grant and the subsequent financial periods are set out under Note 31 to the consolidated financial statements.

Share Option Scheme

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

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 160,000,000 Shares, representing approximately 10.22% of the total issued share capital of the Company as at the date of this annual report.

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

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

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

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

No share options have been granted under the Share Option Scheme since its adoption and up to the date of this annual report. The number of share options available for grant under the mandate limit of the Share Option Scheme as at January 1, 2022 and December 31, 2022 were 160,000,000.

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at December 31, 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long position in ordinary Shares

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

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

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

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

\+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at December 31, 2022.

Save as disclosed above and in the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" and to the best knowledge of the Directors, as at December 31, 2022, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at December 31, 2022, the following corporations/persons had interests of 5% or more in the issued Shares according to the register of interests required to be kept by the Company under section 336 of the SFO:

Long position in ordinary Shares

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

Notes:

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

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

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

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

\+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at December 31, 2022.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2022, no person had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customers accounted for approximately 5.4% of the Group's total revenue from continuing operations. The Group's five largest customers accounted for approximately 18.0% of the Group's total revenue from continuing operations.

In the year under review, the Group's largest suppliers accounted for approximately 5.9% of the Group's total cost of sales from continuing operations. The Group's five largest suppliers accounted for 18.3% of the Group's total cost of sales from continuing operations.

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

EMPLOYEES

The Group had approximately 1,124 employees as at December 31, 2022, as compared to 670 employees as at December 31, 2021, as a result of acquiring Sichuan Ruijian Medical and Beijing Ruijian Biological. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

RETIREMENT BENEFITS SCHEME

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

CONTINUING CONNECTED TRANSACTIONS

Sales of Medical Devices

On July 5, 2022 (after trading hours), the Company entered into the Sales of Medical Devices Framework Agreement with Lepu Medical, pursuant to which the Group agreed to sell medical devices to Lepu Medical Group, including but not limited to dialyzers, infusion sets, intravenous cannulas and insulin injection needles and pens.

Term

The term of the Sales of Medical Devices Framework Agreement will commence from August 31, 2022 to December 31, 2024, subject to renewal for additional three years upon parties' mutual agreement and the Listing Rules.

Pricing Policy

The prices of the medical devices purchased by Lepu Medical Group under the Sales of Medical Devices Framework Agreement shall be determined with reference to the quantity of orders, the brand of products (e.g. self-branded products or OEM products) and the prevailing market prices of comparable medical devices from at least two independent third parties. The prices and other terms of the Group's sales of medical devices to Lepu Medical Group shall be no less favourable to the Group than those offered to other independent third-party purchasers by the Group at the relevant time.

Listing Rules Implications

Although Dr. Pu did not control more than 30% shareholding of Lepu Medical and was not able to control the majority of the composition of the board of Lepu Medical, the Company considers Lepu Medical as an associate of Ms. Yue'e Zhang, the executive Director, because Dr. Pu is deemed as the actual controller (實際控制人) of Lepu Medical by the Shenzhen Stock Exchange. Therefore, the Company considers that Lepu Medical is a connected person of the Company. Accordingly, the transaction contemplated under the Sales of Medical Devices Framework Agreement constitutes a continuing connected transaction of the Company.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the maximum annual cap for the continuing connected transactions contemplated under the Sales of Medical Devices Framework Agreement exceed 5%, the Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the annual caps) are subject to annual review, reporting, announcement, circular (including independent financial advice) and approval by the independent Shareholders under Chapter 14A of the Listing Rules.

For further details, please refer to the announcement of the Company dated July 5, 2022 and the circular of the Company dated August 11, 2022. The continuing connected transactions did not exceed the approved annual cap.

Provision of Medical Products Processing Services

On July 5, 2022 (after trading hours), the Company entered into the Medical Products Processing Services Framework Agreement with Lepu Medical, pursuant to which the Group agreed to provide processing services to Lepu Medical Group.

Term

The term of the Medical Products Processing Services Framework Agreement will commence from July 5, 2022 to December 31, 2024, subject to renewal for additional three years upon parties' mutual agreement and the Listing Rules.

Pricing Policy

The prices of the processing service provided by the Group under the Medical Products Processing Services Framework Agreement are calculated on a "per unit" basis and are determined on a cost plus basis. The Group estimated the cost primarily comprising (i) the labour costs; (ii) the number of work orders; and (iii) the rental and overhead of the requested work space in the relevant workshops and plants. After arriving at an estimated cost, the Group added a mark-up with reference to the then prevailing mark-ups charged by other independent market participants for comparable processing services. Where it is impracticable to refer to the prices offered by independent third parties for comparable services, the Group shall take into consideration the specifications of the services, cost structure, profit margin, transaction amount and market condition. The prices and other terms of the Group's provision of processing service to the Lepu Medical Group shall be no less favourable to the Group than those offered to other independent third-party purchasers by the Group at the relevant time.

Listing Rules Implications

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the maximum annual cap for the continuing connected transactions contemplated under the Medical Products Processing Services Framework Agreement exceed 0.1% but all less than 5%, the Medical Products Processing Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

For further details, please refer to the announcement of the Company dated July 5, 2022. The continuing connected transactions did not exceed the approved annual cap.

Purchase of Medical Devices Molds and Components

On December 14, 2022 (after trading hours), the Company entered into the Purchase of Medical Devices Molds and Components Framework Agreement with Lepu Medical, pursuant to which the Group agreed to purchase medical devices molds and components from Lepu Medical Group, including but not limited to molds of shell, end cover, end cap, support ring, tie-in ring, sealing ring, pipe clamp and connector, injection molded parts or other components of blood purification products.

Term

The term of the Purchase of Medical Devices Molds and Components Framework Agreement will commence from December 14, 2022 to December 31, 2023, subject to renewal upon parties' mutual agreement and the Listing Rules.

Pricing Policy

The prices of the medical devices molds and components purchased by the Group under the Purchase of Medical Devices Molds and Components Framework Agreement shall be determined with reference to the quantity of orders, the type and quality of products and the prevailing market prices of comparable medical devices molds and components from at least two independent third parties. The prices and other terms of the Group's purchase of medical devices molds and components from Lepu Medical Group shall be no less favourable to the Group than those offered by other independent third party suppliers at the relevant time.

Listing Rules Implications

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the maximum annual cap for the continuing connected transactions contemplated under the Purchase of Medical Devices Molds and Components Framework Agreement exceed 0.1% but all less than 5%, the Purchase of Medical Devices Molds and Components Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

For further details, please refer to the announcement of the Company dated December 14, 2022.

Annual review of the continuing connected transactions

All independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreement governing it and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified report containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, during the year ended December 31, 2022, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2022 are set out in Note 34 to the consolidated financial statements contained herein.

Save as disclosed in the paragraph headed "Continuing Connected Transactions" in this annual report, the related party transactions disclosed in Note 34 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

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)

On January 5, 2022 (after trading hours), the Purchaser (an indirectly wholly-owned subsidiary of the Company), the Vendors and Beijing Ruijian Biological entered into the Share Transfer Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendors agreed to sell 51.5% equity interest in Beijing Ruijian Biological (representing approximately 41.2% of the issued share capital of Beijing Ruijian Biological as enlarged by the share subscription contemplated under the Share Subscription Agreement), at the consideration of RMB412,000,000.

On January 5, 2022 (after trading hours), the Purchaser, the Independent Minority Investors, the Vendors and Beijing Ruijian Biological entered into the Share Subscription Agreement, pursuant to which the Purchaser agreed to subscribe for, and Beijing Ruijian Biological agreed to issue, 17% enlarged issued share capital of Beijing Ruijian Biological at the consideration of RMB170,000,000, approximately RMB3,415,180 of which will be accounted for by Beijing Ruijian Biological as registered capital and approximately RMB166,584,820 of which will be accounted for by Beijing Ruijian Biological as capital reserve.

Listing Rules Implications

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Share Transfer and the Share Subscription is more than 25% and less than 100%, the Share Transfer and the Share Subscription constitute major transactions of the Company under Rule 14.06 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

For further details, please refer to the announcement of the Company dated January 5, 2022 and the circular of the Company dated February 21, 2022.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee had, together with the management of the Company, reviewed the consolidated financial statements of the Group for the year ended December 31, 2022 and the accounting principles and policies adopted by the Group.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2022 were audited by BDO Limited.

BDO Limited will retire as auditor of the Company at the forthcoming 2023 AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as the auditor of the Company will be proposed at the 2023 AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2022, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board
Yue'e ZHANG
Chairman

Hong Kong, March 30, 2023

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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

OPINION

We have audited the consolidated financial statements of PW Medtech Group Limited (the "Company") and its subsidiaries (together as the "Group") set out on pages 91 to 172, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment assessment of non-financial assets

As at 31 December 2022, the carrying amounts of property, plant and equipment and intangible assets including goodwill and right-of-use assets, allocated to cash-generating unit ("CGU") were approximately RMB931,227,000, RMB1,656,553,000 and RMB27,409,000 respectively.

We identified the impairment assessment of non-financial assets as a key audit matter because of its significance to the consolidated financial statements and because estimation of the value-in-use calculation of the CGU involve significant management judgement with the respect to its underlying cash flow forecasts, discount rate and future growth rates and the estimation of fair value less cost of disposal.

As required by accounting standards, management assesses the CGU containing goodwill for impairment on an annual basis. The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, requires judgement of management. Recoverable amounts are based on management's estimation of short term and long term revenue growth rate forecast, and profit margin forecast and discount rate used in the cash-flow forecast. As detailed in note 17 to the consolidated financial statements and no impairment loss has been made on the CGU.

The accounting policy, significant accounting judgements and estimates, key assumptions used in the impairment model and disclosures are included in notes 4.8, 5(d) and 17 to the consolidated financial statements.

Our response:

Our procedures in relation to management's impairment assessment of non-financial assets included:

- Testing the mathematical accuracy of cash-flow forecasts of the CGU;
- Challenging the reasonableness of key assumptions adopted in the valuation, such as the discount rate, based on our knowledge of the business and industry and available market data;
- Conducting in-depth discussions with the management about the cash flow projections used in the value-in-use calculation and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the value-in-use calculation;
- Performing sensitivity analysis on the key drivers of the cash flow forecast, including profit margin, long term growth rate and discount rate; and
- Reconciling input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts.

Purchase price allocation for a business combination

On 28 February 2022, the Group acquired 51% equity interest in Sichuan Ruijian Medical Technology Co. Ltd ("Sichuan Ruijian Medical"). Sichuan Ruijian Medical and its subsidiaries (the "Sichuan Ruijian Medical Group") are principally engaged the R&D, manufacturing and sales of medical device for blood purification in the People's Republic of China. As at the date of acquisition, the aggregate fair value of the identifiable net assets of the Sichuan Ruijian Medical Group amounted to approximately RMB686,593,000, and goodwill of RMB323,540,000 was recognised arising from the acquisition.

On 29 April 2022, the Group acquired 58.2% equity interest in Beijing Ruijian High-Tech Biological Technology Co., Ltd ("Beijing Ruijian Biological"). Beijing Ruijian Biological is principally engaged in the R&D of the regenerative medical biomaterials in the People's Republic of China. As at the date of acquisition, the aggregate fair value of the identifiable net assets of the Beijing Ruijian Biological amounted to approximately RMB833,816,000, and goodwill of RMB79,791,000 was recognised arising from the acquisition.

The Group engaged certain independent professionally qualified valuers (the "external valuers") to perform the purchase price allocation on the fair values of the considerations transferred and the identifiable assets acquired and liabilities assumed in the business combination.

We identified the acquisition of subsidiaries as a key audit matter as the accounting process for the acquisition involved the management's estimation and judgements in (i) identifying of assets acquired and liabilities assumed; and (ii) determining the fair value of assets acquired and liabilities assumed.

The accounting policy, significant accounting judgements and estimates and disclosures for the purchase price allocation for a business combination are included in notes 4.1, 5(g) and 32 to the consolidated financial statements.

Our response:

Our procedures in relation to management's purchase price allocation for a business combination included:

- reviewing the acquisition agreement and purchase price allocation schedules prepared by management;
- discussing with management to understand their identification and measurement of the acquired assets and liabilities assumed;
- evaluating the independent external valuer's competence, capabilities and objectivity;
- evaluating the valuation methodology, key assumptions and parameters applied in the fair value measurements of the acquired assets and liabilities by benchmarking comparables and normal market practice; and
- assessing the adequacy of the disclosures in the consolidated financial statements.

Fair value measurement of investment properties

As at 31 December 2022, the fair value of investment properties was approximately RMB298,092,000 with a fair value loss of approximately RMB250,000 recognised in profit or loss for the year. The fair value of the investment properties was arrived on the basis of the valuation carried out by an independent valuation firm.

We have identified the fair value measurement of investment properties as a key audit matter because of its significant to the consolidated financial statements and the valuation of the Group's investment properties are dependent on valuation model used by management, certain key assumptions and estimations that require significance management judgement.

The accounting policy, significant accounting judgements and estimates and details of the valuation technique and significant unobservable inputs used in valuation are included in notes 4.7, 5(c) and 15 to the consolidated financial statements.

Our response:

Our procedures in relation to management's fair value measurement of investment properties included:

- Conducting in-depth discussions with management about the cash flow projections used in the income approach calculation and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the income approach calculation;
- Assessing the valuation methodology; and
- Evaluating the competence, capabilities, and objectivity of the valuer and obtaining an understanding of the valuer's scope of work and their terms of engagement.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate number P05309

Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	6(b)	**536,826**	271,399
Cost of sales		**(238,001)**	(105,343)
Gross profit		**298,825**	166,056
Other gains/(losses) — net	7	**59,613**	(17,222)
Fair value loss on investment properties	15	**(250)**	(11,900)
Impairment loss on property, plant and equipment	14	**—**	(40,691)
Gain on disposal of assets held for sale		**—**	731,750
Selling and marketing expenses		**(67,471)**	(61,779)
General and administrative expenses		**(126,899)**	(65,227)
Research and development expenses		**(40,975)**	(20,253)
Operating profit		**122,843**	680,734
Finance income — net	8	**34,904**	56,730
Profit before income tax	9	**157,747**	737,464
Income tax (expense)/credit	11	**(28,880)**	1,653
Profit for the year		**128,867**	739,117
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**49,400**	(1,929)
Reclassification from exchange differences reserve to profit or loss on disposal of an associate		**—**	8,944
Change in fair value of financial assets at fair value through other comprehensive income		**458**	—
Other comprehensive income for the year		**49,858**	7,015
Total comprehensive income for the year		**178,725**	746,132

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Profit for the year attributable to:			
Owners of the Company		106,041	739,120
Non-controlling interests		22,826	(3)
		128,867	739,117
Total comprehensive income for the year attributable to:			
Owners of the Company		155,899	746,135
Non-controlling interests		22,826	(3)
		178,725	746,132
Earnings per share attributable to owners of the Company for the year	13	RMB cents	RMB cents
Basic earnings per share		6.77	47.10
Diluted earnings per share		6.77	47.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	931,227	609,612
Right-of-use assets	29	27,409	18,124
Investment properties	15	298,092	298,342
Intangible assets	16	1,092,448	13,929
Goodwill	17	564,085	160,754
Deferred tax assets	26	23,015	23,334
Long-term prepayments		9,511	7,653
Financial assets at fair value through other comprehensive income	18	90,329	10,000
Trade receivables	21	6,900	—
Loan receivables	19	—	180,000
		3,043,016	1,321,748
Current assets			
Inventories	20	132,228	33,177
Trade and other receivables	21	160,029	148,329
Loan receivables	19	266,294	—
Cash and cash equivalents	35(a)	1,381,917	2,284,772
Financial assets at fair value through profit or loss	22	5,630	127,001
		1,946,098	2,593,279
Total assets		4,989,114	3,915,027
Current liabilities			
Trade and other payables	23	125,682	96,473
Lease liabilities	29	3,113	2,442
Contract liabilities	24	12,462	—
Tax payables		26,594	5,558
		167,851	104,473
Net current assets		1,778,247	2,488,806
Non-current liabilities			
Lease liabilities	29	1,128	—
Deferred tax liabilities	26	159,466	2,161
Deferred government grants	25	23,114	16,005
		183,708	18,166
NET ASSETS		4,637,555	3,792,388

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**962**	965
Share premium		**1,489,876**	1,492,937
Retained earnings		**2,025,548**	1,919,507
Reserves	28	**428,837**	378,979
		3,945,223	3,792,388
Non-controlling interests	33	**692,332**	—
TOTAL EQUITY		**4,637,555**	3,792,388

The financial statements on pages 91 to 172 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf by:

Yue'e Zhang
DIRECTOR

LIN Junshan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital RMB'000	Share premium RMB'000	Other reserves (note 28) RMB'000	Retained earnings RMB'000	Attributable to owners at the Company RMB'000	Non-controlling interests (note 33) RMB'000	Total equity RMB'000
Balance as at 1 January 2021	965	1,492,937	371,964	3,242,575	5,108,441	(162)	5,108,279
Comprehensive income							
Profit for the year	–	–	–	739,120	739,120	(3)	739,117
Other comprehensive income							
Currency translation differences	–	–	(1,929)	–	(1,929)	–	(1,929)
Reclassification from exchange differences reserve to profit or loss on disposal of an associate	–	–	8,944	–	8,944	–	8,944
Total comprehensive income for the year	–	–	7,015	739,120	746,135	(3)	746,132
Disposal of a subsidiary	–	–	–	–	–	165	165
Dividend paid (note 12)	–	–	–	(2,062,188)	(2,062,188)	–	(2,062,188)
Total transaction with owners	–	–	–	(2,062,188)	(2,062,188)	165	(2,062,023)
At 31 December 2021	**965**	**1,492,937**	**378,979**	**1,919,507**	**3,792,388**	**–**	**3,792,388**
Comprehensive income							
Profit for the year	–	–	–	106,041	106,041	22,826	128,867
Other comprehensive income							
Currency translation differences	–	–	49,400	–	49,400	–	49,400
Change in fair value of financial assets at fair value through other comprehensive income	–	–	458	–	458	–	458
Total comprehensive income for the year	–	–	49,858	106,041	155,899	22,826	178,725
Acquisition of subsidiaries (note 32)	–	–	–	–	–	667,506	667,506
Contribution from non-controlling interest	–	–	–	–	–	2,000	2,000
Buy-back and cancellation of shares	(3)	(3,061)	–	–	(3,064)	–	(3,064)
Total transaction with owners	(3)	(3,061)	–	–	(3,064)	669,506	666,442
At 31 December 2022	962	1,489,876	428,837	2,025,548	3,945,223	692,332	4,637,555

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Profit before income tax		**157,747**	737,464
Adjustments for:			
Depreciation of property, plant and equipment	14	**55,489**	27,700
Depreciation of right-of-use assets	29	**1,255**	500
Amortisation of intangible assets	16	**21,842**	3,215
Loss/(gain) on disposal of property, plant and equipment, net	7	**11**	(38)
Gain on disposal of assets held for sale		**—**	(731,750)
Fair value loss on investment properties	15	**250**	11,900
Impairment loss on property, plant and equipment	14	**—**	40,691
Write-off of intangible assets	16	**11,400**	—
Loss on guarantee liability	7	**734**	734
Interest expense	8	**464**	605
Interest income	8	**(35,368)**	(57,335)
Unrealised exchange (gains)/losses		**53,996**	(2,316)
Bad debt write-off	9	**300**	3,555
Provision for impairment loss recognised in respect of loan receivables	19	**4,706**	—
Reversal of impairment losses recognised in respect of trade receivables, net	39(b)	**(3,015)**	(2,413)
Operating cash flows before movements in working capital		**269,811**	32,512
(Increase)/decrease in inventories		**(5,457)**	5,864
(Increase)/decrease in trade and other receivables		**(28,463)**	3,705
Increase in trade and other payables		**40,420**	2,817
Increase in contract liabilities		**10,188**	—
Decrease in deferred government grants		**(2,932)**	(642)
Cash generated from operations		**283,567**	44,256
Income taxes paid		**(14,334)**	(7,013)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**269,233**	37,243
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(12,294)**	(7,340)
Purchases of intangible assets		**(9,397)**	—
Payments for development costs of construction in progress		**(40,167)**	(3,981)
Interest received		**35,368**	57,335
Proceeds from disposal of interest in an associate		**—**	2,907,180
Proceeds from disposal of property, plant and equipment		**111**	136
Purchases for acquisition of financial assets at fair value through other comprehensive income		**(79,871)**	(10,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**146,101**	265,000
Purchases for acquisition of financial assets at fair value through profit or loss		**(17,400)**	(392,001)
Net cash outflow from acquisition of subsidiaries		**(1,013,779)**	—
Net cash outflow from loan to independent third parties		**(91,000)**	(180,000)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(1,082,328)**	2,636,329

	Note	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES			
Repayment for lease liabilities	35(b)	(617)	(419)
Repayment of other borrowings	35(b)	(83,019)	—
Repayment of bank borrowings		—	(28,000)
Proceeds from capital contribution to a subsidiary by non-controlling interests		2,000	—
Payment for repurchase of shares	27	(3,064)	—
Interest paid	35(b)	(464)	(604)
Dividend paid		—	(2,062,188)
NET CASH USED IN FINANCING ACTIVITIES		(85,164)	(2,091,211)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(898,259)	582,361
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(4,596)	628
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,284,772	1,701,783
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash		1,381,917	2,284,772

1. GENERAL

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

The Company is an investment holding company. The Company and its subsidiaries (together, 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"), hemodialysis and blood purification medical devices (the "Blood Purification Business") and animal-derived regenerative medical biomaterials and human tissue repair alternative products (the "Regenerative Medical Biomaterial Business") in the People's Republic of China (the "PRC").

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 2022

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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.

(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.

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 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.

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

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

HKFRS 17, Insurance Contracts and the related Amendments

In May 2017, the HKASB issued HKFRS 17 Insurance Contracts (HKFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, HKFRS 17 will replace HKFRS 4 Insurance Contracts (HKFRS 4) that was issued in 2005. HKFRS 17 applies to all types of insurance contracts (i.e., life, nonlife, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of HKFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies, HKFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of HKFRS 17 is the general model, supplemented by:

- A specific adaption for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The Directors do not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current

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.

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

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The Directors do not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

Amendments to HKAS 1, Non-current Liabilities with Covenants

The amendments clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

The Directors do not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The Directors do not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

— right-of-use assets and lease liabilities, and
— decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

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

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

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

HKAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. For entities which may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The Directors do not anticipate that the application of these amendments in the future will have a material impact on the consolidated 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 with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

Amendment to HKFRS 16, Lease Liability in a Sale and Leaseback

The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are intended to improve the requirements for sale and leaseback transactions in HKFRS 16. They do not change the accounting for leases unrelated to sale and leaseback transactions

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3. BASIS OF PREPARATION (Continued)

3.2 Basis of measurement

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

3.3 Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combinations

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Business combinations (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

4.2 Principles of consolidation

(i) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

— the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
— substantive potential voting rights held by the Company and other parties who hold voting rights;
— other contractual arrangements; and
— historic patterns in voting attendance.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Principles of consolidation (Continued)

(ii) Equity accounting

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 17.

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

4.3 Separate financial statements

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Foreign currency translation

(i) Transactions and balances

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

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

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

(ii) Group companies

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Property, plant and equipment

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

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

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

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

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate classes of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Intangible assets

(i) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

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

Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposals. Any impairment is recognised immediately as an expense and is not subsequently reversed (see note 17), and whenever there is an indication that the unit may be impaired.

(ii) Customer relationship

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

(iii) Trademarks and technology know-how and patents

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

(iv) Computer software

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Intangible assets (Continued)

(v) Internally generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on internally developed products is capitalised if it can be demonstrated that

— it is technically feasible to develop the product for it to be sold;
— adequate resources are available to complete the development;
— there is an intention to complete and sell the product;
— the Group is able to sell the product;
— sale of the product will generate future economic benefits; and
— expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line or administrative expenses in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

(vi) Amortisation methods and periods

The amortisation expense is recognised in profit or loss and included in selling and administrative expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

—	Customer relationship	6 years
—	Trademarks and technology know-how and patents	15–20 years
—	Computer software	5 years

(vii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Intangible assets (Continued)

(viii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(ix) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 17).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

4.7 Investment properties

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

4.8 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment in subsidiary;
- goodwill and other intangible assets; and
- right-of-use assets

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Impairment of non-financial assets (Continued)

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from CGU (see note 4.6(i)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

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

Non-current assets (or disposals groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposals groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 4.

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

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

4.10 Financial Instruments

(i) Financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial Instruments (Continued)

(i) Financial assets (Continued)

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

Debt instruments

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

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

Equity instruments

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

(ii) Impairment loss on financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

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

— failure to make payments of principal or interest on their contractually due dates;
— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
— an actual or expected significant deterioration in the operating results of the debtor; and
— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

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

Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial Instruments (Continued)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECLs provision measured in accordance with principles of the accounting policy set out in note 4.10(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Inventories

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

4.12 Cash and cash equivalents

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

4.13 Income taxes

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Income taxes (Continued)

(ii) Deferred income tax (Continued)

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

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

(iii) Investment allowances and similar tax incentives

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

4.14 Employee benefits

(i) Pension obligations

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

(ii) Housing benefits

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

(iii) Bonus entitlements

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Share based payments

(i) Equity-settled share-based payment transactions

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

— including any market performance conditions (for example, an entity's share price);
— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
— including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

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

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

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

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

(ii) Share-based payment transactions among group entities

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

4.16 Provisions and contingent liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Provisions and contingent liabilities (Continued)

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

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

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

4.17 Revenue recognition

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

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

— provides all of the benefits received and consumed simultaneously by the customer;
— creates or enhances an asset that the customer controls as the Group performs; or
— does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

Sale of advanced infusion set products

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Revenue recognition (Continued)

Sale of medical device for blood purification

Sale of medical device for blood purification are recognised when the customer takes possession of and accepts the products. This is usually taken as the time when the goods are delivered and the customer has accepted the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. There is generally only one performance obligation. Invoices are issued when the customer takes possession of and accepts the products and are usually payable within 120 days from the date of billing. No significant financial component existed. The transaction price is determined based on a stand-alone selling price specified in the contracts for advanced medical device for blood purification

Rental income

Rental income under operating leases is recognised by the Group as the lessor on a straight-line basis over the term of the relevant lease.

Interest income

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

Dividend income

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

4.18 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Leases

(i) As a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
(ii) any lease payments made at or before the commencement date, less any lease incentives received;
(iii) any initial direct costs incurred by the lessee; and
(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property (see note 4.7), they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use (see note 4.5), they are carried at revalued amount.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at revalued amount. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Leases (Continued)

(i) As a lessee (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

a. fixed lease payments less any lease incentives receivable;
b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
c. amounts expected to be payable by the lessee under residual value guarantees;
d. exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
e. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;
(ii) reducing the carrying amount to reflect the lease payments made; and
(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Leases (Continued)

(i) As a lessee (Continued)

Short-term leases and leases of low-value assets

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

(ii) As a lessor

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

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate leases. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on a either a straight-line basis or another systematic basis over the remaining lease term. The Group applies the derecognition requirements of HKFRS 9 to recognise to recognise modification or derecognition gain or loss on the net investment in the finance lease.

4.20 Related parties

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

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Related parties (Continued)

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the Group's parent.

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

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

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

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

4.21 Dividend distribution

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

4.22 Capitalisation of borrowing costs

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

5. 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 and intangible assets

The Group determines the estimated useful lives for its property, plant and equipment and intangible assets based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets 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) 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 15 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 2022 was RMB298,092,000 (2021: RMB298,342,000).

(d) 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. Further information on the impairment assessment on the CGU are provided in note 17.

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

(e) Fair value of measurement

A number of asset and liabilities included in the Group's financial statements require measurement at, and disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities 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 and disclose financial assets at fair value through profit or loss/other comprehensive income (note 36(b)) at fair value .

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

(f) 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. Details of the key assumptions and inputs used are disclosed in note 39(b).

For the year ended 31 December 2022, the Group recorded a reversal allowance for expected credit losses of RMB3,105,000, reflecting a improvement in the credit quality of its related trade receivables as a results of the three credit-impaired customers decrease in risk of default. 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.

(g) Purchase price allocation

The Group applies acquisition accounting to transactions that meet the definition of business combinations. This requires the Group to allocate the acquisition consideration to identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition. Management estimations are required to determine the fair values of assets acquired and liabilities assumed, and the related deferred tax liabilities arising from fair value adjustments at the date of acquisition. The fair values of assets and liabilities acquired on the acquisition dates are set out in note 32 to the financial statements.

6. REVENUE AND SEGMENT INFORMATION

(a) Business segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision maker is identified as the executive director of the Company. The chief operating decision maker regularly monitor and receive reports relating to the performance of the three lines of business the Group operates during the year. In this regard, management has identified three reportable operating segments, namely (1) Infusion Set Business, (2) Blood Purification Business and (3) Regenerative Medical Biomaterials Business.

The major business activities for the four segments are summarised as follows:

— the "Infusion Set Business" segment represents the R&D, manufacturing and sales of advanced infusion set, intravenous cannula products, insulin needles, etc;

— the "Blood Purification Business" segment represents the R&D, manufacturing and sales of hemodialysis and blood purification medical devices; and

— the "Regenerative Medical Biomaterials Business" segment represents the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products.

Inter-segment sales were conducted at prices no less than cost and with terms mutually agreed among those business segments. Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, inventories, trade and other receivables, loan receivables, amount due from a related party, financial assets at fair value through profit or loss and cash and cash equivalents. Unallocated assets comprise items such as some of cash and cash equivalents, deferred income tax assets and other unallocated assets.

Segment liabilities comprise operating liabilities.

Capital expenditure comprises additions to property, plant and equipment (note 14), right-of-use assets (note 29), intangible assets (note 16) and other non-current assets.

6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

The segment information provided to the Senior Management for the reportable segments is as follow:

(i) As at and for the year ended 31 December 2022:

The segment results for the year ended 31 December 2022 are as follows:

	Infusion Set RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Consolidated RMB'000
Segment revenue from external customers	248,491	288,335	—	536,826
Segment results (Operating profit)	65,865	76,293	(21,460)	120,698
Fair value loss on investment properties	(250)	—	—	(250)
Finance income	14,903	2,108	512	17,523
Finance cost	—	(27)	(437)	(464)
Unallocated profit				20,240
Profit before taxation				157,747
Income tax expense				(28,880)
Profit for the year				128,867
Other segment items				
Depreciation of property, plant and equipment	28,525	26,362	602	55,489
Depreciation of right-of-use assets	406	577	272	1,255
Amortisation of intangible assets	3,223	14,542	4,077	21,842
Reversal of impairment losses recognised in respect of trade receivables, net	(2,983)	(32)	—	(3,015)

The segment assets and liabilities as at 31 December 2022 are as follows:

	Infusion Set RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Consolidated RMB'000
Assets				
Segment assets	1,453,281	1,179,985	1,037,751	3,671,017
Financial assets at fair value through other comprehensive income				90,329
Unallocated assets				1,227,768
Total assets				4,989,114
Liabilities				
Segment liabilities	55,753	105,248	143,263	304,264
Unallocated liabilities				47,295
Total liabilities				351,559

6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

(ii) As at and for the year ended 31 December 2021:

The segment results for the year ended 31 December 2021 are as follows:

	Infusion Set RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Consolidated RMB'000
Segment revenue from external customers	271,399	—	—	271,399
Segment results (Operating profit)	18,529	—	—	18,529
Fair value loss on investment properties	(11,900)			(11,900)
Finance income	9,973	—	—	9,973
Finance cost	(605)	—	—	(605)
Unallocated profit				721,467
Profit before taxation				737,464
Income tax credit				1,653
Profit for the year				739,117
Other segment items				
Depreciation of property, plant and equipment	27,700	—	—	27,700
Depreciation of right-of-use assets	500	—	—	500
Amortisation of intangible assets	3,215	—	—	3,215
Reversal of impairment losses recognised in respect of trade receivables, net	(2,413)	—	—	(2,413)

The segment assets and liabilities as at 31 December 2021 are as follows:

	Infusion Set RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Consolidated RMB'000
Assets				
Segment assets	1,587,474	—	—	1,587,474
Financial assets at fair value through other comprehensive income				10,000
Unallocated assets				2,317,553
Total assets				3,915,027
Liabilities				
Segment liabilities	70,202	—	—	70,202
Unallocated liabilities				52,437
Total liabilities				122,639

6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Analysis of information by geographical regions:

The following table lists out the information about geographical regions. The geographical regions of the sales to external customers are based on the locations where the services are rendered or the places where the goods are delivered.

	2022 RMB'000	2021 RMB'000
Geographical markets		
Mainland China, including HK	505,623	271,399
India	21,468	—
Others	9,735	—
Total	536,826	271,399

The geographical location of customers is based on the location at which the goods are delivered. No geographical location of non-current assets is presented as the substantial non-current assets are physically based in the PRC.

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Disaggregation of revenue from contracts with customer

The Group derives revenue from the transfer of goods at a point in time in the following customers' segment for infusion set business, blood purification business and regenerative medical biomaterials business:

	Infusion Set RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Total RMB'000
Revenue from contracts with customers within the scope of HKFRS 15				
For the year ended 31 December 2022				
Revenue from hospitals	**37,364**	**2,578**	**—**	**39,942**
Revenue from medical products distributors	**211,127**	**285,757**	**—**	**496,884**
Total	**248,491**	**288,335**	**—**	**536,826**
For the year ended 31 December 2021				
Revenue from hospitals	41,926	—	—	41,926
Revenue from medical products distributors	229,473	—	—	229,473
Total	271,399	—	—	271,399
Timing of revenue recognition				
For the year ended 31 December 2022				
At a point in time	**248,491**	**288,335**	**—**	**536,826**
For the year ended 31 December 2021				
At a point in time	271,399	—	—	271,399

(c) Concentration of customers

There was no single customer that contributed to 10% or more of the Group's revenue for the year ended 31 December 2022.

Revenues of approximately RMB35,686,000 representing 13.1% are derived from a single external customer for the year ended 31 December 2021.

7. OTHER GAINS/(LOSSES) — NET

	2022 RMB'000	2021 RMB'000
Government grants	4,940	2,961
Rental income	14,612	13,218
Property management fee income	8,144	8,329
(Loss)/gain on disposal of property, plant and equipment, net	(11)	38
Loss on guarantee liability (note)	(734)	(734)
Net foreign exchange gain/(loss)	30,472	(40,880)
Others	2,190	(154)
Other gains/(losses) — net	59,613	(17,222)

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 2021 and 2022 represents the interest accrued for the period on the guarantee liability.

8. FINANCE INCOME — NET

	2022 RMB'000	2021 RMB'000
Finance income		
Bank interest income	13,072	45,029
Interest income on wealth management product	6,680	4,823
Loan interest income	15,616	7,483
	35,368	57,335
Finance costs		
Bank borrowing	—	(604)
Interest on other borrowings	(337)	—
Interest on lease liabilities	(127)	(1)
	(464)	(605)
Finance income — net	34,904	56,730

9. PROFIT BEFORE INCOME TAX

	2022 RMB'000	2021 RMB'000
Profit before taxation has been arrived at after charging/(crediting):		
Directors' emoluments (note 10)	**2,127**	3,861
Staff costs (excluding directors' emoluments):		
Wages, salaries and bonuses	**73,265**	65,552
Staff welfare	**6,362**	2,812
Social security costs	**13,519**	5,670
Housing fund	**2,777**	3,046
Total staff costs	**98,050**	80,941
Auditor's remuneration:		
— Audit services	**1,980**	1,160
— Other services	**445**	2,680
Bad debt write-off	**300**	3,555
Reversal of impairment losses recognised in respect of trade receivables, net	**(3,015)**	(2,413)
Provision for impairment losses recognised in respect of loan receivables	**4,706**	—
Depreciation of property, plant and equipment (note 14)	**55,489**	27,700
Depreciation of right-of-use assets (note 29)		
— Properties	**688**	18
— Leasehold land and land use right	**567**	482
Amortisation of intangible assets (note 16)	**21,842**	3,215
Write-off of intangible assets (note 16)	**11,400**	—
Raw materials and consumable used	**150,695**	45,255
Research and development expenses	**50,084**	20,253
Less: amount capitalised in intangible assets	**(9,109)**	—
	40,975	20,253

10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the six (2021: six) directors were as follows:

For the year ended 31 December 2022	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chief executive officer and officer and executive director						
— Ms. Yue'e ZHANG	–	1,011	–	–	–	1,011
Non-executive director						
— Mr. JIANG Liwei	–	300	–	–	–	300
— Mr. LIN Junshan	–	300	–	–	–	300
Independent non-executive directors						
— Mr. CHEN Geng	–	172	–	–	–	172
— Mr. WANG Xiaogang	–	172	–	–	–	172
— Ms. WANG Fengli (note a)	–	172	–	–	–	172
	–	2,127	–	–	–	2,127

For the year ended 31 December 2021	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chief executive officer and officer and executive director						
— Ms. Yue'e ZHANG	–	1,263	–	–	–	1,263
Non-executive director						
— Mr. JIANG Liwei	–	600	–	–	–	600
— Mr. LIN Junshan	–	600	–	–	–	600
Independent non-executive directors						
— Mr. CHEN Geng	–	466	–	–	–	466
— Mr. WANG Xiaogang	–	466	–	–	–	466
— Ms. WANG Fengli (note a)	–	69	–	–	–	69
— Mr. ZHANG Xingdong (note b)	–	397	–	–	–	397
	–	3,861	–	–	–	3,861

Notes:

(a) Appointed as independent non–executive director on 1 August 2021.

(b) Resigned as independent non-executive director on 1 August 2021.

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

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2021: one) director whose emoluments are reflected in the analysis shown in above. The emoluments payable to the remaining four (2021: four) individuals during the year are as follows:

	2022 RMB'000	2021 RMB'000
Basic salaries and allowances	4,364	3,691
Social security costs	174	104
Housing fund	102	99
	4,640	3,894

The emoluments were within the following bands:

	2022 Number of individuals	2021 Number of individuals
Nil to HK$1,000,000	—	—
HK$1,000,001 — HK$1,500,000	4	4

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

	2022 Number of individuals	2021 Number of individuals
Nil to HK$1,000,000	—	—
HK$1,000,001 — HK$1,500,000	4	4

11. TAXATION

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

	2022 RMB'000	2021 RMB'000
Current income tax		
PRC Income Tax expense for the year	**(31,847)**	(7,522)
Deferred income tax (note 26)	**2,967**	9,175
Income tax (expense)/credit	**(28,880)**	1,653

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% (2021: 25%).

Four subsidiaries (2021: 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 (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 year.

11. TAXATION (Continued)

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	**157,747**	737,464
Tax calculated at statutory tax rates applicable to profits in the respective countries	**39,437**	184,366
Tax effect of:		
Effect of different tax rate in foreign jurisdictions	**549**	(79,324)
Preferential income tax rates applicable to subsidiaries	**(16,516)**	(6,931)
Additional deductible allowance for research and development expenses (note (i))	**(2,887)**	(1,442)
Tax effect of expenses not deductible for tax purpose	**11,827**	159,161
Tax effect of income not taxable for tax purpose	**(12,679)**	(249,185)
Tax effect of temporary differences	**(1,575)**	(10,193)
Tax effect of estimated tax losses not recognised	**9,695**	1,168
Adjustment in respect of prior years	**1,029**	727
Income tax expense/(credit) for the year	**28,880**	(1,653)

(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.

12. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

13. 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 2022.

	2022 RMB'000	2021 RMB'000
Profit attributable to owners of the Company	**106,041**	739,120
Weighted average number of ordinary shares in issue (thousands)	**1,566,110**	1,569,246
Basic earnings per share (RMB cents per share)	**6.77**	47.10

(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).

	2022 RMB'000	2021 RMB'000
Profit attributable to owners of the Company	**106,041**	739,120
Weighted average number of ordinary shares in issue (thousands)	**1,566,110**	1,569,246
Adjustments for:		
— Share options (thousands)	**13**	30
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,566,123**	1,569,276
Diluted earnings per share (RMB cents per share)	**6.77**	47.10

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Leasehold improvements RMB'000	Furniture, fittings and office equipment RMB'000	Machinery and equipment RMB'000	Motor vehicle RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021							
Cost	587,589	7,971	10,140	85,250	5,436	109,344	805,730
Accumulated depreciation	(51,377)	(3,518)	(5,284)	(42,857)	(4,253)	—	(107,289)
Net book amount	536,212	4,453	4,856	42,393	1,183	109,344	698,441
Year ended 31 December 2021							
Opening net book amount	536,212	4,453	4,856	42,393	1,183	109,344	698,441
Additions	56	820	156	4,963	1,345	3,981	11,321
Disposals	—	—	—	(85)	(13)	—	(98)
Transfer from construction in progress	9,189	—	99	10,241	—	(19,529)	—
Transfer to investment properties (note 15)	(29,740)	—	(561)	(1,090)	—	(270)	(31,661)
Impairment loss	(40,691)	—	—	—	—	—	(40,691)
Depreciation	(16,341)	(488)	(1,831)	(8,875)	(165)	—	(27,700)
Closing net book amount	458,685	4,785	2,719	47,547	2,350	93,526	609,612
At 31 December 2021							
Cost	520,339	8,791	7,796	98,447	6,531	93,526	735,430
Accumulated depreciation	(61,654)	(4,006)	(5,077)	(50,900)	(4,181)	—	(125,818)
Net book amount	458,685	4,785	2,719	47,547	2,350	93,526	609,612
Year ended 31 December 2022							
Opening net book amount	**458,685**	**4,785**	**2,719**	**47,547**	**2,350**	**93,526**	**609,612**
Additions through the acquisition of subsidiaries	**95,510**	**5,671**	**10,239**	**132,046**	**480**	**80,819**	**324,765**
Additions	**75**	**9,518**	**742**	**1,921**	**38**	**40,167**	**52,461**
Disposals	**—**	**—**	**(30)**	**(81)**	**(11)**	**—**	**(122)**
Transfer from construction in progress	**3,855**	**2,525**	**2,846**	**42,896**	**80**	**(52,202)**	**—**
Depreciation	**(20,907)**	**(2,495)**	**(2,414)**	**(29,203)**	**(470)**	**—**	**(55,489)**
Closing net book amount	**537,218**	**20,004**	**14,102**	**195,126**	**2,467**	**162,310**	**931,227**
At 31 December 2022							
Cost	**637,135**	**32,886**	**23,228**	**328,861**	**7,366**	**162,310**	**1,191,786**
Accumulated depreciation and impairment	**(99,917)**	**(12,882)**	**(9,126)**	**(133,735)**	**(4,899)**	**—**	**(260,559)**
Net book amount	**537,218**	**20,004**	**14,102**	**195,126**	**2,467**	**162,310**	**931,227**

The CGU is tested for impairment as it contains goodwill, key assumptions used in the impairment model are detailed in note 17.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The factory was recognised as owner-occupied as it was utilised as self-use warehouse as at 31 December 2021. After the management decided to transfer several of building and part of land in Shandong for earning rental purpose as at 31 December 2021, the factory became vacant to seek for potential tenant since 31 December 2021. As such, the factory was reclassified from property, plant and equipment to investment property. The property interest with the land use right were revalued to approximately RMB31,661,000 as initial cost value while the resulting revaluation losses of approximately RMB40,691,000 at the date of transfer was recognised in profit or loss on 31 December 2021.

15. INVESTMENT PROPERTIES

	Total RMB'000
FAIR VALUE	
At 1 January 2021	274,740
Transferred from property, plant and equipment (note 14)	31,661
Transferred from right-of-use assets (note 29)	3,841
Change in fair value	(11,900)
At 31 December 2021 and 1 January 2022	298,342
Change in fair value	(250)
At 31 December 2022	**298,092**

The balance represented:

- office premises are located at No. 23 Panlong West Road, Pinggu District, Beijing, with a construction area of approximately 39,714.5 square meters held by the Group under medium term lease in the PRC; and

- a factory located at No. 369, Xinhua Road, High-tech Zone, Shandong, with a construction area of approximately 25,542.28 square meters held by the Group under medium term lease in the PRC.

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

The fair value of the Group's investment properties at 31 December 2022 was approximately RMB298,092,000 (31 December 2021: RMB298,342,000). The fair value of the Group's investment properties at 31 December 2022 have been arrived at on market value basis carried out by Shenzhen Pengxin Appraisal Ltd. (2021: Shenzhen Pengxin Assets Appraisal Land and Real Estate 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.

15. INVESTMENT PROPERTIES (Continued)

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

The following table shows the significant unobservable inputs used in comparison with the previous year:

	2022	2021
Occupancy rate	50.0% 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 properties at 31 December 2021 and 2022 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the 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:

	2022 RMB'000
Discount rate increased by 1%	(41,292)
Expected occupancy rate decreased by 3%	(12,842)
Rental growth rate decreased by 0.5%	(2,322)

16. INTANGIBLE ASSETS

	Computer software RMB'000	Trademarks RMB'000	Technology know-how and patents RMB'000	Customer relationship RMB'000	Development costs RMB'000	Total RMB'000
At 1 January 2021						
Cost	874	11,755	36,440	5,012	—	54,081
Accumulated amortisation	(867)	(7,578)	(23,480)	(5,012)	—	(36,937)
Net book amount	7	4,177	12,960	—	—	17,144
Year ended 31 December 2021						
Opening net book amount	7	4,177	12,960	—	—	17,144
Amortisation charge	(3)	(784)	(2,428)	—	—	(3,215)
Closing net book amount	4	3,393	10,532	—	—	13,929
At 31 December 2021						
Cost	874	11,755	36,440	5,012	—	54,081
Accumulated amortisation	(870)	(8,362)	(25,908)	(5,012)	—	(40,152)
Net book amount	4	3,393	10,532	—	—	13,929
Year ended 31 December 2022						
Opening net book amount	4	3,393	10,532	—	—	13,929
Addition through the acquisition of subsidiaries	—	—	135,272	98,932	868,160	1,102,364
Transfer from development cost to technical know-how and patents	—	—	166,539	—	(166,539)	—
Additions	88	—	200	—	9,109	9,397
Write-off	—	—	—	—	(11,400)	(11,400)
Amortisation charge	(8)	(785)	(12,805)	(8,244)	—	(21,842)
Closing net book amount	84	2,608	299,738	90,688	699,330	1,092,448
At 31 December 2022						
Cost	962	11,755	347,697	103,944	699,330	1,163,688
Accumulated amortisation	(878)	(9,147)	(47,959)	(13,256)	—	(71,240)
Net book amount	84	2,608	299,738	90,688	699,330	1,092,448

Notes:

(i) At 31 December 2022, the capitalised development costs are related to cost incurred for Biological Dressing, Breast Tissue Patch, Oral Cavity Repair Membrane, Injection Granules and Non-compliant PTA Drug Balloon Catheters, which was not yet available for use.

(ii) During the year, one of the development costs in the Blood Purification segment terminated due to the animal experiment failed in October 2022 and therefore resulted in impairment loss for the year ended 2022 in relation to this development of approximately RMB11,400,000.

17. GOODWILL

	2022 RMB'000	2021 RMB'000
Carrying amount		
At beginning of year	160,754	160,754
Additions through the acquisition of subsidiaries (note 32)	403,331	—
At end of year	564,085	160,754

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 31 December 2022, 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	
	2022 RMB'000	2021 RMB'000
Infusion Set Business	160,754	160,754
Blood Purification Business	323,540	—
Regenerative Medical Biomaterials Business	79,791	—
	564,085	160,754

The Group tests goodwill annually or more frequently if there are indications that goodwill may be impaired.

17. GOODWILL (Continued)

Impairment assessment of Infusion Set Business

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

The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.5% (2021: 2.5%), which does not exceed the long-term growth rate for the Infusion Set Business in the PRC.

	2022	2021
Gross profit margin	62.13% to 63.29%	62.98% to 63.04%
Growth rate	2.5%	2.5%
Discount rate	13.8%	14.5%

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

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

Management believes that any reasonably possible change in any of these assumption would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. As at 31 December 2022, management determines that there is no impairment on goodwill.

Impact of possible changes in key assumptions

As significant judgments are used to estimate the weighing of different scenario and the key inputs used in each scenario, such as growth rates, gross profit margin and pre-tax discount rates, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses. Sensitivity of the impairment assessment to a reasonably possible change in each of the key inputs is as follows:

	Change in assumptions, holding other inputs constant	Change in recoverable amount RMB'000
Growth rate	Reduced by 0.5%	(58,920)
Gross profit margin	Reduced by 5%	(67,866)
Discount rate	Increased by 1%	(95,966)

17. GOODWILL (Continued)

Impairment assessment of Blood Purification Business

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

The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.5%, which does not exceed the long-term growth rate for the Blood Purification Business in the PRC.

	2022	2021
Gross profit margin	46.0%	N/A
Growth rate	2%–31%	N/A
Discount rate	14.3%	N/A

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

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

Management believes that any reasonably possible change in any of these assumption would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. As at 31 December 2022, management determines that there is no impairment on goodwill.

Impact of possible changes in key assumptions

As significant judgments are used to estimate the weighing of different scenario and the key inputs used in each scenario, such as growth rates, gross profit margin and pre-tax discount rates, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses. Sensitivity of the impairment assessment to a reasonably possible change in each of the key inputs is as follows:

	Change in assumptions, holding other inputs constant	Change in recoverable amount RMB'000
Growth rate	Reduced by 0.5%	(26,487)
Gross profit margin	Reduced by 5%	(281,757)
Discount rate	Increased by 1%	(89,229)

17. GOODWILL (Continued)

Impairment assessment of Regenerative Medical Biomaterials Business

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

The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a ten-year period. Cash flows beyond the ten-year period are extrapolated using an estimated weighted average growth rate of 1%, which does not exceed the long-term growth rate for the Regenerative Medical Biomaterials Business in the PRC.

	2022	2021
Gross profit margin	65.0%–93.0%	N/A
Growth rate	8.0% –170.0%	N/A
Discount rate	14.99%	N/A

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

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

Management believes that any reasonably possible change in any of these assumption would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. As at 31 December 2022, management determines that there is no impairment on goodwill.

Impact of possible changes in key assumptions

As significant judgments are used to estimate the weighing of different scenario and the key inputs used in each scenario, such as growth rates, gross profit margin and pre-tax discount rates, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses. Sensitivity of the impairment assessment to a reasonably possible change in each of the key inputs is as follows:

	Change in assumptions, holding other inputs constant	Change in recoverable amount RMB'000
Growth rate	Reduced by 0.5%	(82,227)
Gross profit margin	Reduced by 5%	(214,242)
Discount rate	Increased by 1%	(23,136)

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current asset		
Unlisted investment fund (note i)	19,002	10,000
Listed equity securities (note ii)	71,327	—
	90,329	10,000

Note:

(i) 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. Amounted of RMB20,000,000 required capital contribution of the investment was paid during the year ended 31 December 2022 (2021: RMB10,000,000). 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 interest held in the Fund as at 31 December 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. The resulted in a fair value loss of approximately RMB998,000 reclassified from the fair value reserve to retained earning during the year ended 31 December 2022.

(ii) On 23 February 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 gain of approximately RMB1,456,000 reclassified from fair value reserve to retained earnings during the year ended 31 December 2022.

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 year ended 31 December 2022.

(iii) The detail of the valuation methodology on financial assets at fair value through other comprehensive income is disclosed in note 36.

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

	2022 RMB'000	2021 RMB'000
At beginning of year	10,000	—
Addition	79,871	10,000
Change in fair value through other comprehensive income	458	—
At end of year	90,329	10,000

19. LOAN RECEIVABLES

	2022 RMB'000	2021 RMB'000
Fixed-rate loan receivables	**271,000**	180,000
Less: allowance for impairment loss	**(4,706)**	—
	266,294	180,000
Analysed as:		
Current	**266,294**	—
Non-current	**—**	180,000
	266,294	180,000

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 will be repayable in full on 11 April 2023. It is considered to be low risk as the loans are collateralised by the real properties owned by the Borrower located in Beijing with fair value amounted RMB255,190,000 and therefore the impairment provision is determined as 12 months expected credit losses. As at 31 December 2022 and 31 December 2021, the management assess that the effect of applying the expected credit risk model on loan receivable was immaterial.

As at 31 December 2022, a loan advanced to an independent third party of RMB46,000,000, carried a fixed rate 5.2% per annum for short-term financing needs of the borrower. The loan was unsecured and repayable on 8 February 2023. The loan was fully settled in February 2023.

As at 31 December 2022, a loan advanced to an independent third party of RMB45,000,000, carried a fixed rate 5.3% per annum for short-term financing needs of the borrower. The loan was unsecured and repayable on 31 January 2022. The loan was fully settled in February 2023.

As at 31 December 2022, in determining the expected credit losses for these assets on an individual basis, the directors of the Company have taken into account the financial position of the counterparties, considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The Group measures the loss allowance for the loan receivables of approximately RMB4,706,000 (2021: Nil) at an amount equal to 12-month ECL.

20. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**47,645**	19,341
Work in progress	**27,512**	4,344
Finished goods	**47,821**	9,492
Goods in transit	**9,250**	—
	132,228	33,177

21. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables (note i)	79,015	89,620
Bills receivable (note ii)	374	1,051
Prepayments and deposits	19,756	9,116
Value added tax recoverable	17,830	19,630
Other receivables	27,441	18,614
Loan interest receivables	5,752	10,298
Amount due from a related party (note iii)	16,761	—
	166,929	148,329
Trade receivables — non-current	(6,900)	—
Trade and other receivables — current portion	160,029	148,329

Notes:

(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.

	2022 RMB'000	2021 RMB'000
Up to 3 months	26,423	30,120
3 months to 6 months	17,420	14,858
6 months to 12 months	14,393	21,736
1 year to 2 years	10,758	16,567
2 years to 3 years	10,021	6,339
	79,015	89,620

The Group and the Company recognised impairment loss based on the accounting policy stated in note 4.10(ii).

Trade receivables are due within 180 days from the date of billing. The Group does not hold any collateral as security. Further details on the Group's credit policy and credit risk arising from trade receivables and bills receivable are set out in note 39(b).

Non-current portion of the trade receivables

During the year ended 31 December 2022, the Group entered into repayment agreements (the "Agreements") individually with three major customers (the "Customers") who owed total amount of approximately RMB40,063,000 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 20 to 29 months commencing from August 2022.

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

(iii) The amount due from a related party is interest-free, unsecured and repayable on demand.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Wealth management products — non-principal protected	5,630	127,001

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

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:

	2022 RMB'000	2021 RMB'000
At beginning of year	127,001	—
Addition through the acquisition of subsidiaries (note 32)	7,330	—
Addition	17,400	392,000
Change in fair value recognised in profit or loss	—	1
Disposal	(146,101)	(265,000)
At end of year	5,630	127,001

23. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	27,844	10,577
Salary and staff welfare payables	30,861	22,312
Advances from customers	7,768	16,298
Deposits received	4,235	2,139
Value added tax and other taxes	17,954	4,075
Professional service fee	6,756	10,188
Provision of loss from guarantee liability (note 7)	21,211	19,214
Deferred government grant — current portion (note 25)	1,132	642
Other payables	7,921	11,028
	125,682	96,473

23. TRADE AND OTHER PAYABLES (Continued)

As at 31 December 2022 and 2021, 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:

	2022 RMB'000	2021 RMB'000
Up to 6 months	13,796	6,667
6 months to 12 months	1,928	529
Over 1 year	2,343	349
2 years to 3 years	6,760	382
Over 3 years	3,017	2,650
	27,844	10,577

24. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Contract liabilities arising from sale contracts	12,462	—

Certain deposits the Group received from the sale of medical device for blood purification remain as a contract liability until such time as the work completed to date outweighs it.

The movements in contract liabilities are as follow:

	2022 RMB'000	2021 RMB'000
Balance as at 1 January	—	—
Addition from acquisition of subsidiaries (note 32)	2,274	—
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities	(1,643)	—
Increase in contract liabilities as a result of billing in advance	11,831	—
Balance as at 31 December	12,462	—

25. DEFERRED GOVERNMENT GRANTS

	2022 RMB'000	2021 RMB'000
At beginning of year	**16,647**	17,289
Additions through acquisition of subsidiaries (note 32)	**9,841**	—
Amortisation charge	**(2,242)**	(642)
At end of year	**24,246**	16,647
Current portion	**1,132**	642
Non-current portion	**23,114**	16,005
	24,246	16,647

Note: Such government grants were recorded as deferred government grants and would be credited to the consolidated statement of comprehensive income over the useful life of the corresponding assets using straight-line method.

26. DEFERRED TAX ASSETS AND LIABILITIES

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

	Provision for impairment of receivables RMB'000	Write-down of inventories RMB'000	Depreciation allowance RMB'000	Fair value surplus on acquisition of subsidiaries RMB'000	Fair value surplus arising from revaluation of PPE RMB'000	Deferred government grant RMB'000	Tax loss RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	5,223	822	29	(2,720)	(8)	4,201	4,130	321	11,998
(Charge)/credit to profit or loss for the year	(362)	92	(21)	559	13,148	(111)	(4,130)	–	9,175
At 31 December 2021	4,861	914	8	(2,161)	13,140	4,090	–	321	21,173
Acquisition of subsidiaries (note 32)	–	–	–	(160,591)	–	–	–	–	(160,591)
(Charge)/credit to profit or loss for the year	(271)	–	–	3,286	63	(111)	–	–	2,967
At 31 December 2022	**4,590**	**914**	**8**	**(159,466)**	**13,203**	**3,979**	**–**	**321**	**(136,451)**

At 31 December 2022, the Group had estimated unutilised tax losses of approximately RMBnil (2021: RMBnil) available for offsetting against future assessable profits arising in the PRC.

26. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	2022 RMB'000	2021 RMB'000
Non-current portion		
Deferred tax assets	**23,015**	23,334
Deferred tax liabilities	**(159,466)**	(2,161)
	(136,451)	21,173

27. 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	(3,614,000)	(3)
At 31 December 2022	1,565,632,098	962

During the year ended 31 December 2022, the Company acquired and cancelled 3,614,000 shares of its own ordinary shares purchases on the Stock Exchange. The total amount paid to acquire the shares was approximately RMB3,036,000.

28. OTHER RESERVES

	Merger reserve (note (i)) RMB'000	Translation reserve RMB'000	Capital reserve (note (ii)) RMB'000	Share option reserve RMB'000	Revaluation reserves RMB'000	Fair value reserves RMB'000	Total RMB'000
The Group							
At 1 January 2021	63,964	(25,591)	330,900	115	2,576	—	371,964
Currency translation differences	—	(1,929)	—	—	—	—	(1,929)
Reclassification from exchange differences reserve to profit or loss on disposal of an associate	—	8,944	—	—	—	—	8,944
At 31 December 2021	63,964	(18,576)	330,900	115	2,576	—	378,979
Currency translation differences	—	49,400	—	—	—	—	49,400
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	458	458
At 31 December 2022	**63,964**	**30,824**	**330,900**	**115**	**2,576**	**458**	**428,837**

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

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

29. LEASES

(a) Leases as lessee

The Group leases warehouse and factory facilities. The leases typically run for a period of one to five years. Lease payments are renegotiated every one to five 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
Balance at 1 January 2021	18	22,447	22,465
Transfer to investment properties (note 15)	—	(3,841)	(3,841)
Depreciation charge for the year	(18)	(482)	(500)
Balance at 31 December 2021	—	18,124	18,124
Addition through acquisition of subsidiaries (note 32)	**1,540**	**8,214**	**9,754**
Addition	**786**	**—**	**786**
Depreciation charge for the year	**(688)**	**(567)**	**(1,255)**
Balance at 31 December 2022	**1,638**	**25,771**	**27,409**

29. LEASES (Continued)

(a) Leases as lessee (Continued)

(ii) Lease liabilities

	Properties RMB'000	Leasehold land and land use rights RMB'000	Total RMB'000
Balance at 1 January 2021	19	2,442	2,461
Interest expense	(1)	—	(1)
Lease payments	(18)	—	(18)
Balance at 31 December 2021	—	2,442	2,442
Addition through the acquisition of subsidiaries (note 32)	**1,630**	**—**	**1,630**
Addition	**786**	**—**	**786**
Interest expense	**127**	**—**	**127**
Lease payments	**(744)**	**—**	**(744)**
Balance at 31 December 2022	**1,799**	**2,442**	**4,241**

Future lease liabilities are payable as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
At 31 December 2021			
Not later than one year	2,442	—	2,442
At 31 December 2022			
Not later than one year	**3,249**	**(136)**	**3,113**
Later than one year and not later than two years	**833**	**(74)**	**759**
Later than two years and not later than five years	**381**	**(12)**	**369**
	4,463	**(222)**	**4,241**

The present value of future lease payments are analysed as:

	2022 RMB'000	2021 RMB'000
Current liabilities	**3,113**	2,442
Non-current liabilities	**1,128**	—
	4,241	2,442

29. LEASES (Continued)

(a) Leases as lessee (Continued)

(iii) Amounts recognised in profit or loss

	2022 RMB'000	2021 RMB'000
Leases under HKFRS 16		
Interest on lease liabilities	127	1
Expenses relating to short-term leases	166	400
	293	401
Aggregate undiscounted commitments for short term leases	–	12

(iv) Amounts recognised in statement of cash flows

	2022 RMB'000	2021 RMB'000
Total cash outflow for leases	(744)	(419)

(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 2022 was approximately RMB14,612,000 (2021: RMB13,218,000).

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

	2022 RMB'000	2021 RMB'000
Within one year	14,264	14,113
One to two years	–	9,839
	14,264	23,952

30. CAPITAL COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Commitments for the acquisition of:		
Capital contribution on an unlisted investment fund (note 18)	–	10,000
Property, plant and equipment	35,571	16,730

31. SHARE BASED PAYMENTS

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

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

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

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

	2022	2021
Outstanding at 1 January	118,471	118,471
Forfeited during the year	–	–
Exercised during the year	–	–
Outstanding at 31 December	118,471	118,471

The exercise price of options outstanding at the end of the 2022 was RMB0.626 (2021: RMB0.626) and their weighted average remaining contractual life was 1 years (2021: 2 years).

All options outstanding at the end of the year were exercisable.

32. BUSINESS COMBINATION

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

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

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

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

32. BUSINESS COMBINATION (Continued)

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

Cashflow movement in relation to acquisition during the year ended 31 December 2022:

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

The acquired business contributed revenue of approximately RMB288,335,000 and net profit after income tax of approximately RMB64,602,000 for the period from 1 March 2022 to 31 December 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 and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products in the PRC.

32. BUSINESS COMBINATION

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

Details of the acquisition are summarised as follows:

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

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

Cashflow movement in relation to acquisition during the year ended 31 December 2022:

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

The acquired business did not derive revenue and net loss after income tax of approximately RMB21,120,000 for the period from 30 April 2022 to 31 December 2022.

33. NON-CONTROLLING INTERESTS

As at and for the year ended 31 December 2022, the non-controlling interest ("NCI") was attributable to 49% of Sichuan Ruijian Medical and 41.8% of Beijing Ruijian Biological. The NCI is recorded at its proportionate share of the subsidiaries' identifiable net assets.

Summarised financial information in relation to the NCI of Sichuan Ruijian Medical, before intra-group eliminations, is presented below:

	2022 RMB'000
Revenue	288,335
Profit for the year	64,602
Total comprehensive income for the year	64,602
Profit and total comprehensive income allocated to NCI	31,654
Cash flows generated from operating activities	139,142
Cash flows used in investing activities	(17,709)
Net cash inflows	121,433
As at 31 December	
Current assets	311,995
Non-current assets	544,447
Current liabilities	(62,389)
Non-current liabilities	(42,859)
Net assets	751,194
Accumulated non-controlling interest	368,085

33. NON-CONTROLLING INTERESTS (Continued)

Summarised financial information in relation to the NCI of Beijing Ruijian Biological, before intra-group eliminations, is presented below:

	2022 RMB'000
Revenue	—
Loss for the year	(21,120)
Total comprehensive expense for the year	(21,120)
Loss and total comprehensive expense allocated to NCI	(8,828)
Cash flows used in operating activities	(46,398)
Cash flows used in investing activities	(6,066)
Net cash outflows	(52,464)
As at 31 December	
Current assets	123,654
Non-current assets	862,304
Current liabilities	(19,492)
Non-current liabilities	(123,770)
Net assets	842,696
Accumulated non-controlling interest	324,247

34. RELATED PARTY DISCLOSURES

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

	2022 RMB'000	2021 RMB'000
Related party transactions		
Sales of medical devices to related parties	16,145	—
Medical products processing services fee income received from related parties	107	—
Purchase of medical devices molds and components from related parties	(1,039)	—

34. RELATED PARTY DISCLOSURES (Continued)

(b) Compensation of key management personnel

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

	2022 RMB'000	2021 RMB'000
Short-term benefits	5,375	4,063
Post-employment benefits	276	204
	5,651	4,267

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.

(c) Amount due from a related party

The amount due from a related party is interest-free, unsecured and repayable on demand.

35. NOTES SUPPORTING CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	2022 RMB'000	2021 RMB'000
Cash available on demand	844,410	275,342
Short-term deposits (note)	537,507	2,009,430
	1,381,917	2,284,772

Note:

The balance represents short-term bank deposits with an original maturity of three months or less. The Group's bank balances deposited in the banks in the PRC carry prevailing market interest rates ranging from 2.1% to 4.8% (2021: from 1.5%to 2.8%) per annum.

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

	2022 RMB'000	2021 RMB'000
Denominated in USD	58,285	1,956,552
Denominated in HK$	3,382	2,404

35. NOTES SUPPORTING CASH FLOW STATEMENT (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	Other borrowings RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance at 1 January 2021	—	28,000	2,461	30,461
Changes from financing cash flows				
Payment of bank borrowing	—	(28,000)	—	(28,000)
Payment of lease liabilities	—	—	(419)	(419)
Interest paid	—	(604)	—	(604)
Total changes from financing cash flows	—	(28,604)	(419)	(29,023)
Other changes				
Addition of properties	—	—	399	399
Interest expense	—	604	1	605
Total liability-related other changes	—	604	400	1,004
At 31 December 2021 and 1 January 2022	—	—	2,442	2,442
Changes from financing cash flows	—			
Payment of lease liabilities	—	—	(617)	(617)
Repayment of other borrowings	(83,019)	—	—	(83,019)
Interest paid	`(337)	—	(127)	(464)
Total changes from financing cash flows	(83,356)	—	(744)	(84,100)
Other changes				
Additions through the acquisition of subsidiaries	83,019	—	1,630	84,649
Addition of properties	—	—	786	786
Interest expense	337	—	127	464
Total liability-related other changes	83,356	—	2,543	85,899
At 31 December 2022	—	—	4,241	4,241

36. 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:

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost	**1,777,554**	2,584,355
Financial assets at FVTPL		
— Wealthy management products	**5,630**	127,001
Financial assets at FVTOCI		
— Unlisted equity investment	**19,002**	10,000
— Listed equity investment	**71,327**	—
	1,873,513	2,721,356
Financial liabilities		
Financial liabilities at amortised cost	**98,834**	75,761

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include, trade and other receivables, loan receivables, cash and cash equivalents, trade and other payables and lease liabilities.

(b) Financial instruments measured at fair value

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.

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

(b) Financial instruments measured at fair value (Continued)

Information about level 3 fair value measurements

	2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL				
— Wealthy management products	—	—	5,630	5,630
Financial assets at FVTOCI				
— Unlisted equity investments	—	—	19,002	19,002
— Listed equity securities	71,327	—	—	71,327
	71,327	—	24,632	95,959

	2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL				
— Wealthy management products	—	—	127,001	127,001
Financial assets at FVTOCI				
— Unlisted equity investments	—	—	10,000	10,000
	—	—	137,001	137,001

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs
Wealthy management products	Discounted cash flows — Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	Expected growth rate	The higher the expected growth rate, the higher the valuation
		Discounted rate	The higher the expected volatility, the higher the fair value
Unlisted equity investments	Latest transaction prices/ consideration for shares transfer in similar equity interest	Consideration due to timing, condition of sale and terms of agreement, size and nature of similar business to derive estimated value	The higher the value of similar transactions, the higher the valuation
Listed equity securities	Quoted bid prices in an active market	N/A	N/A

37. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2022 were as follows:

Company name	Place of incorporation and operation/kind of legal entity	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Effective equity interests held 31 December		Principal activities
				2022	2021	
Directly owned:						
Health Access Limited ("Health Access")	Hong Kong/Limited liability company	29 June 2011	480,026,001 ordinary shares of HK$1 each	100%	100%	Investment holding
Medfusion Holdings Limited	The British Virgin Islands/Limited liability company	23 August 2021	USD5,000	100%	100%	Investment holding
Medcore Holdings Limited	The British Virgin Islands/Limited liability company	26 August 2021	USD5,000	100%	100%	Investment holding
Indirectly owned:						
PW Medtech (Beijing) Limited (普華和順(北京)醫療科技有限公司 "PW Medtech (Beijing)")	PRC/Limited liability company	10 August 2000	RMB154,300,000	100%	100%	Investment holding
Jiangsu PW Medtech Medical Device Co., Ltd. (江蘇普華和順醫療器械有限公司)	PRC/Limited liability company	10 April 2014	RMB10,000,000	100%	100%	Infusion Set Business
Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司 "Fert Technology")	PRC/Limited liability company	23 September 1997	RMB126,000,000	100%	100%	Infusion Set Business
Xuzhou Yijia Medical Device Co.,Ltd. (徐州一佳醫療器械有限公司 "Xuzhou Yijia")	PRC/Limited liability company	30 June 2003	RMB13,841,000	100%	100%	Infusion Set Business
Beijing Zhong Jie Tian Gong Medtech Co., Ltd. (北京中杰天工醫療科技有限公司)	PRC/Limited liability company	22 September 2011	RMB10,000,000	100%	100%	Infusion Set Business
Shandong Fert Technology Co., Ltd. (山東伏爾特技術有限公司)	PRC/Limited liability company	8 January 2013	RMB10,000,000	100%	100%	Infusion Set Business
Shandong Fert Medical Device Co., Ltd. (山東伏爾特醫療器械有限公司)	PRC/Limited liability company	28 July 2015	RMB20,000,000	100%	100%	Infusion Set Business
Beijing Fert Medtech Co., Ltd. (北京伏爾特醫療科技有限公司)	PRC/Limited liability company	18 October 2016	RMB30,000,000	100%	100%	Infusion Set Business
Beijing Jun Tai Sheng Yue Technology Co., Ltd (北京君泰盛悦技術有限公司)	PRC/Limited liability company	13 March 2018	RMB500,000	100%	100%	Infusion Set Business
Beijing Le Gu Kang Jie Medtech Limited (北京樂谷康傑醫療技術有限公司)	PRC/Limited liability company	12 July 2018	RMB10,000,000	100%	100%	Infusion Set Business
Beijing Pufeng Medical Management Co., Ltd. (北京普峰醫療管理有限公司)	PRC/Limited liability company	10 September 2019	RMB5,000,000	100%	100%	Infusion Set Business
Medfusion Investment Limited	Hong Kong/Limited liability company	3 September 2021	HKD 1,000	100%	100%	Investment holding
Medcore Investment Limited	Hong Kong/Limited liability company	3 September 2021	HKD 1,000	100%	100%	Investment holding
Jiangxi PW Medtech Medical Device Co., Ltd. (江西普華禾順醫療器械有限公司)	PRC/Limited liability company	16 September 2021	RMB2,000,000	100%	100%	Infusion Set Business
Beijing Ruijian High-Tech Biological Technology Co., Ltd	PRC/Limited liability company	5 February 2013	RMB20,089,293	58.2%	–	Regenerative Medical Biomaterial Business

37. PARTICULARS OF SUBSIDIARIES (Continued)

Company name	Place of incorporation and operation/kind of legal entity	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Effective equity interests held 31 December 2022	2021	Principal activities
四川睿健醫療科技股份有限公司	PRC/Limited liability company	6 August 2013	RMB291,800,000	51%	–	Blood Purification Business
成都歐賽醫療器械有限公司	PRC/Limited liability company	19 January 2005	RMB20,000,000	51%	–	Blood Purification Business
成都睿爾科維醫療器械有限責任公司	PRC/Limited liability company	6 August 2019	RMB5,000,000	51%	–	Blood Purification Business
北京睿爾康健康管理有限公司	PRC/Limited liability company	14 January 2016	RMB50,000,000	35.7%	–	Blood Purification Business
北京睿爾健健康管理有限公司	PRC/Limited liability company	20 January 2016	RMB20,000,000	35.7%	–	Blood Purification Business
成都慕道爾精密模塑有限公司	PRC/Limited liability company	3 September 2018	RMB10,000,000	51%	–	Blood Purification Business
廣州市賽諾康醫療器械有限公司	PRC/Limited liability company	17 March 2021	RMB30,000,000	48.3%	–	Blood Purification Business
成都睿爾凱健康管理有限公司	PRC/Limited liability company	2 December 2016	RMB15,000,000	25.0%	–	Blood Purification Business

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Investments in and loans to subsidiaries		419,969	419,969
Financial assets at fair value through other comprehensives		71,327	—
Total non-current assets		491,296	419,969
Current assets			
Amounts due from subsidiaries		2,373,015	628,154
Other receivables		29,194	27,403
Cash and cash equivalents		298,963	2,013,905
Total current assets		2,701,172	2,669,462
Total ASSETS		3,192,468	3,089,431
Current liabilities			
Amounts due to subsidiaries		264,031	268,399
Trade and other payables		8,586	8,305
Total current liabilities		272,617	276,704
NET ASSETS		2,919,851	2,812,727
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	962	965
Share premium		1,489,876	1,492,937
Other reserves		307,034	213,156
Retained earnings		1,121,979	1,105,669
TOTAL EQUITY		2,919,851	2,812,727

The statement of financial position of the Company was approved by the Board of Director on 30 March 2023 and was signed on its behalf by:

Yue'e Zhang
DIRECTOR

LIN Junshan
DIRECTOR

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

(b) Reserves movement of the Company

	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	1,492,937	214,594	2,231,208	3,938,739
Profit and total comprehensive income for the year	—	—	936,649	936,649
Currency translation differences	—	(1,438)	—	(1,438)
Dividend (note)	—	—	(2,062,188)	(2,062,188)
At 31 December 2021	**1,492,937**	**213,156**	**1,105,669**	**2,811,762**
Profit and total comprehensive income for the year	**—**	**—**	**16,310**	**16,310**
Change in fair value of financial assets at fair value through other comprehensive income	**—**	**1,456**	**—**	**1,456**
Buy back and cancellation of shares	**(3,061)**	**—**	**—**	**(3,061)**
Currency translation differences	**—**	**92,422**	**—**	**92,422**
At 31 December 2022	**1,489,876**	**307,034**	**1,121,979**	**2,919,889**

Note: 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 dividend is not reflected as a dividend payable in these financial statements as the special dividend are subject to completion of disposal of interest in an associate (the "transactions"). As the Transaction completed on 6 January 2021, the special dividend was subsequently paid on 25 February 2021.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Market risk

(i) Foreign exchange risk

The Group's major operational activities are carried out in the PRC and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to the Hong Kong dollar ("HK$") and the United States dollar ("US$"). The Group does not hedge against any fluctuation in foreign currency during the year. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in the future.

As at 31 December 2022, if HK$ and US$ had strengthened/weakened by 3% against RMB (2021: 3%), with all other variables held constant, which were considered reasonably possible at each of the dates by management, the profit for the year would have been approximately RMB1,387,000 (2021: RMB44,022,000) lower/higher, mainly as a result of foreign exchange differences on translation of balances of cash and cash equivalents and bank loan denominated as below:

	2022 RMB'000	2021 RMB'000
Cash and cash equivalents — denominated in		
RMB	**1,320,250**	325,816
HK$	**3,382**	2,404
US$	**58,285**	1,956,552
Total	**1,381,917**	2,284,772

(ii) Price risk

The Group exposes to commodity price risk, mainly due to the fluctuations in prices of plastic, which are the key raw materials to the Group's products. During the year, the management considers the price risk exposure is not material, and the Group has the flexibility to pass the increases in raw material costs to the Group's customers.

(b) Credit risk

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

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

For trade and other receivables, 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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicated significantly different loss patterns for different customer segments, the grouping for trade receivables for the assessment of ECLs is by customer segments, while Group C represents 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:

2022	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	**4.60**	**1.62**	**90.14**	**39.99**
Gross carrying amount (RMB'000)	**27,193**	**28,602**	**9,060**	**40,063**
Loss allowance (RMB'000)	**1,251**	**464**	**8,167**	**16,021**

2021	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	5.07	1.51	88.31	31.55
Gross carrying amount (RMB'000)	23,573	33,674	18,082	46,696
Loss allowance (RMB'000)	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.

Restrictions implemented by governments to limit the spreading of COVID-19 pandemic resulted in contraction in the economic activity in 2022. Though economic activity is expected to be recovered, there is significant uncertainty associated with the pace and scale of resumption. The uncertainty includes a possible resurgence of the virus in 2022 and the potential risk of affecting the macroeconomic or other factors affecting the risk of default occurring in the next 12 months or beyond. As a result, the outbreak of the COVID-19 pandemic has led to a reassessment of scenarios and the probability weighting in the ECL assessment of Group D.

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

	2022 RMB'000	2021 RMB'000
Balance at 1 January	**32,405**	34,818
Write-off	**(3,530)**	—
Additional impairment losses thought acquisition of subsidiaries	**43**	—
Reversal of impairment losses recognised during the year	**(3,015)**	(2,413)
Balance at 31 December	**25,903**	32,405

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

Other receivables

Other receivables represent advances due from employee, loan and loan interest receivables and rental income receivables. It is considered to be low risk as the borrower is considered, in the short term, to have a strong capacity to meet its obligations, and therefore the impairment provision is determined as 12 months expected credit losses. The loss allowance for debt investments as a result of applying the expected credit risk model was immaterial.

(c) Liquidity risk

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

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

The Group	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 years but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
2022					
Non-derivatives:					
Trade and other payables	**94,593**	**94,593**	**94,593**	**—**	**—**
Lease liabilities	**4,241**	**4,463**	**3,249**	**833**	**381**
	98,834	**99,056**	**97,842**	**833**	**381**
2021					
Non-derivatives:					
Trade and other payables	73,319	73,319	73,319	—	—
Lease liabilities	2,442	2,442	2,442	—	—
	75,761	75,761	75,761	—	—

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as bank borrowings divided by total capital. Since there was no borrowings as at 31 December 2022 and 2021, the gearing ratio was zero.

PW MEDTECH GROUP LIMITED
普华和顺集团公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01358.HK)

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong