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PW MEDTECH GROUP LIMITED

普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

KEY FINANCIALS

Primarily due to the growth in the sales of the Group's Blood Purification Business and Infusion Set Business, and a longer consolidation period of the Group's Blood Purification Business:

- Revenue for the year ended December 31, 2023 amounted to approximately RMB675.1 million, representing an increase of 25.8% from approximately RMB536.8 million recorded in 2022.
- Gross profit for the year ended December 31, 2023 amounted to approximately RMB380.9 million, representing an increase of 27.5% from approximately RMB298.8 million recorded in 2022.
- Profit for the year ended December 31, 2023 amounted to approximately RMB205.0 million, representing an increase of 59.1% from approximately RMB128.9 million recorded in 2022.
- Profit attributable to owners of the Company for the year ended December 31, 2023 amounted to approximately RMB153.2 million, representing an increase of 44.5% from approximately RMB106.0 million recorded in 2022.
- Basic earnings per share and diluted earnings per share in 2023 were RMB9.78 cents and RMB9.78 cents (2022: RMB6.77 cents and RMB6.77 cents), respectively, representing an increase of 44.5% and 44.5% from 2022, respectively.

MARKET AND BUSINESS REVIEW

PW Medtech Group Limited (the “**Company**” or “**PW Medtech**”, together with its subsidiaries, the “**Group**”) is a leading medical device company in China focusing on the fast-growing and high-margin segments in China’s medical device industry and is 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 Technology Co. Ltd. (四川睿健醫療科技股份有限公司) (“**Sichuan Ruijian Medical**”), i.e. the research and development (“**R&D**”), manufacturing and sale of hemodialysis and blood purification medical devices (the “**Blood Purification Business**”), and the business of Beijing Ruijian High-Tech Biological Technology Co., Ltd. (北京瑞健高科生物技术有限公司) (“**Beijing Ruijian Biological**”), i.e. the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products (the “**Regenerative Medical Biomaterials Business**”), which, together with the R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc. (the “**Infusion Set Business**”), constitute the Group’s three existing business segments.

Looking back at 2023, both China and other countries experienced a complex and volatile economic situation, with China’s domestic economy experiencing a moderate recovery amidst various challenges. Under the influence of various factors such as the macroeconomic environment and new industry policies and regulations, the medical device industry in China maintained a steady pace of development despite of challenges. With the lift of control measures, the demand for medical consultation and treatment resurged. According to relevant statistical data, in the first three quarters of 2023, the total number of visits to medical and healthcare institutions in China reached 5.11 billion, representing a 6% year-on-year increase over 2022, and accordingly, the demand for general medical devices also gradually recovered.

In recent years, the overall market size of medical devices has been growing steadily in China. According to statistics, the market size of medical devices in China increased to RMB958.2 billion in 2022, and is expected to exceed RMB1,000 billion in 2023. Over the past few years, benefitting from economic growth and rising national income, residents’ awareness of healthcare has been enhanced, driving the demand for diversified healthcare services. Meanwhile, China’s demographic situation has undergone a significant transformation with a faster pace of population ageing. By 2030, China is projected to be a “super-aged society” and among the countries with the largest number of elderly people and the fastest rate of population ageing in the world. Based on the above, the consumer demand for medical devices is likely to expand rapidly in the foreseeable future, and the overall medical device industry has a foundation for long-term growth.

The medical device industry is valued by the governments of various countries as it is highly strategically-focused, driving force-generating and growth-oriented. The Chinese government also continues to revise and publish the relevant policy documents in relation to medical devices, and has issued a series of policies in respect of the innovation of medical device products, quality management of medical device operations, and centralized bulk procurement of medical consumables in order to promote the rapid, stable and high-quality development of the medical device industry in China.

Being a leading medical device company in China, the Company focuses on the fast-growing and high-margin segments in China's medical device industry, and is committed to expanding into new markets with room for growth and consolidating its leading position in the industry. In 2023, the Group achieved good results by actively promoting market expansion, enhancing R&D and innovation capabilities and broadening product portfolio.

For the year ended December 31, 2023, the Group's revenue amounted to RMB675.1 million, representing a year-on-year increase of 25.8% compared with 2022. At the same time, the Group recorded a gross profit of RMB380.9 million, representing a year-on-year increase of 27.5% compared with 2022, with an overall gross profit margin of 56.4% for the period. Profit attributable to owners of the Company amounted to RMB153.2 million, representing a year-on-year increase of 44.5% compared with the previous year. In 2023, the Group maintained a stable financial position, with cash and cash equivalents of the Company amounting to RMB1,589.7 million and a healthy cash flow.

Since 2018, the reform of centralized bulk procurement of medical consumables has been continuously implemented, and several rounds of centralized procurement of medical consumables have been carried out at the national and provincial levels, which has effectively reduced the burden of costs on patients. Currently, bulk procurement has entered the stage of normalization and systematization, which will help optimize the competitive landscape of the healthcare industry and encourage relevant enterprises to enhance innovation and cost efficiency in the long term.

As a leading enterprise in the medical device industry in China, the Group has been proactively adapting to the new normal in the development of the medical device industry. In responding to the challenges and opportunities that have arisen in the industry, the Group makes timely adjustments to its business strategies, endeavors to enhance operation and development quality and efficiency, and maintains a steady but progressive development trend. In the future, the Group will continue to strengthen product quality control, enhance product R&D capability, improve the level of innovation, continuously optimize sales structure and adjust marketing strategies to secure its leading position in the industry and strive to reward the shareholders with better operating results.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

Focusing on the fast-growing and high-margin medical device market, the Group actively promotes the development of the industry in a healthy and orderly manner, enhances product innovation and R&D capabilities, and expands production capacity and product portfolio. At present, the Group has established three business segments, namely the Infusion Set Business, the Blood Purification Business and the Regenerative Medical Biomaterials Business. As at December 31, 2023, the Group had obtained 49 registration certificates for products, including among others, infusion set, intravenous cannula, hemodialyzer, hemoperfutor, biologic patch, intestinal feeding device, insulin injection pen, insulin injection needle and blood transfusion set.

In the Infusion Set Business segment, the Group becomes a leading company in the advanced infusion set business in China with years of efforts in the segment, specializing in the R&D, manufacturing and sale of infusion set, intravenous cannula, insulin needles and other products, and advocating

professional and safe infusion. During 2023, with the recovery of medical consultations and treatments in hospitals across the country and the Group's active market expansion activities, revenue from the Infusion Set Business amounted to approximately RMB281.1 million, representing an increase of 13.1% over the corresponding period of the previous year.

In the Blood Purification Business segment, the Group is a leading blood purification medical device company in China, with products covering hemodialyzer, hemodiafilter, hemoperfutor and dialysis tube. Though domestic hemodialysis brands have a relatively late start, with continuous growth and development, domestic brands are highly likely to bridge their gap with imported brands and improve their market share gradually. In addition, at present, the rate of dialysis treatment for end-stage renal disease patients in China is still far lower than that in developed countries. With the increase in the number of patients with end-stage renal disease and the treatment rate in China, the number of hemodialysis patients are estimated to increase year by year, which will bring a huge demand for hemodialysis treatment in China. It is expected that there will be a vast demand for blood purification medical devices in the future. For the year ended December 31, 2023, revenue from the Blood Purification Business increased by approximately 36.7% as compared to revenue from the Blood Purification Business for the ten months ended December 31, 2022 since the acquisition of Sichuan Ruijian Medical as included in the Group's consolidated income statement for the year ended December 31, 2022. For illustration purpose, on a year-on-year basis, revenue from the Blood Purification Business increased by approximately 17.6% as compared to revenue from the Blood Purification Business as recorded in the unaudited management accounts of the relevant subsidiaries prepared under HKFRS for the year ended December 31, 2022 which included the revenue of the Blood Purification Business for the two-month period prior to the acquisition of Sichuan Ruijian Medical. By integrating various resources, the Group will invest in the R&D of blood purification products, continue to optimize product quality, improve sales network, strive for higher market share, and provide high-quality products and comprehensive sales services to patients.

In the Regenerative Medical Biomaterials Business segment, driven by factors such as the national economic development, improvement in residents' quality of life, increase in life expectancy and technological innovation, the medical biomaterials in China are in a state of rapid development with broad market space. Beijing Ruijian Biological, a subsidiary of the Group, adopts a leading and new-generation tissue regenerative material technology, with a complete product pipeline and a wide range of applications, including herniorrhaphy, burns and scalds, oral repairing, breast reconstruction and injection cosmetology. The Group believes that the regenerative medical biomaterials segment has extremely high growth potential and is one of the most valuable areas for investment in the medical device sector. The Group will make full use of our technological leadership and resource integration capabilities to expediate the R&D and commercialization of related products.

The Group will continue to leverage our leading position in the medical device industry in China, actively contribute to the safety and efficiency of medical care as well as the development of the industry and increase our competitive edges through continuous optimization of business deployment.

Emphasis on Innovation and R&D

The Group has an experienced R&D team with strong academic and research background, comprising R&D technical personnel with doctor's or master's degrees in polymer material science, bioengineering, biomedicine, precision manufacturing, mechatronics, quality control and other areas. Our R&D team keeps close communication and collaboration with surgeons, hospitals (especially Class III Grade A hospitals), first-class university research centers and other research institutions in China in order to expediate the R&D progress of products and enhance the Group's overall R&D and innovation capabilities.

In 2023, the Group's product registration and R&D processes progressed smoothly:

- In the Infusion Set Business segment, the Group has successfully obtained the registration certificates for dialysis cannula and light resistant cannula, both being leading products manufactured in China.
- In the Blood Purification Business segment, the Group has submitted applications for the registration of dialysis machines and continuous blood purification machines.
- In the Regenerative Medical Biomaterials segment, the Group has submitted applications for the registration of breast patches and oral cavity repair membrane products. Besides, our cosmetic injection products are undergoing clinical trials and the type testing for biological sponge products has been completed.

As at December 31, 2023, the Group had obtained 49 product registration certificates and 161 product patents, and had applied for 52 new patents, and a number of products are in the clinical trial stage. The Group will continue to focus on product development 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, improve comprehensive competitive edge and consolidate our leading position in the industry.

Expansion of Distribution Networks

The Group has an experienced and strong professional sales and marketing team to support and consolidate our distribution networks in 31 provinces, cities and autonomous regions across the country and to fortify product promotion for all business segments. The Group's sales force has an average of 10 years of experience in their respective fields, and nearly half of the members of the sales and marketing team have a medical education background, which facilitates their professional and effective communication with doctors and nurses.

The Group continued to optimize sales structure and marketing strategies, keep abreast of policies in the medical industry and flexibly adjust bidding strategies. In terms of operation and management, the Group continued to implement the "low cost and high quality" strategy to improve operation efficiency.

Introduction of an Investor by Sichuan Ruijian Medical

In December 2023, the Group announced that it had entered into an investment agreement with Shenzhen Venture Capital Manufacturing Transformation and Upgrading New Materials Fund (Limited Partnership) (深創投製造業轉型升級新材料基金(有限合夥)) (“**SVC New Materials Fund**”), Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), Ningbo Yihui Investment Management Center (Limited Partnership) (寧波醫惠投資管理中心(有限合夥)), Shanghai Junwei Investment Management Center (Limited Partnership) (上海鈞衛投資管理中心(有限合夥)), Rizhao Chengrui Corporate Management Partnership (Limited Partnership) (日照成睿企業管理合夥企業(有限合夥)), Tianjin Tongchen Medical Technology Partnership (Limited Partnership) (天津同辰醫療科技合夥企業(有限合夥)), Ningbo Zhengyao Investment Management Center (Limited Partnership) (寧波正垚投資管理中心(有限合夥)) and Wang Tao (王滔) (collectively, the “**Original Minority Shareholders**”) and Sichuan Ruijian Medical, a non-wholly owned subsidiary of the Group, pursuant to which, Sichuan Ruijian Medical issued part of its new shares to SVC New Materials Fund at a consideration of RMB140 million; and one of the Original Minority Shareholders sold part of the shares of Sichuan Ruijian Medical to SVC New Materials Fund at a consideration of RMB140 million. Upon completion of the transactions, SVC New Materials Fund holds 10.05% equity interest in Sichuan Ruijian Medical, and the equity interest held by the Group through Medcore Investment Limited (美宜科投資有限公司) in Sichuan Ruijian Medical decreased from 51% to 48.49%, and Sichuan Ruijian Medical remains a non-wholly owned subsidiary of the Group.

Sichuan Ruijian Medical intends to utilize the capital increase amount to advance the R&D and commercialization of its pipeline programs and expansion of manufacturing facilities, enabling it to capture expansion and development opportunities in the future. The strategic introduction of a state-backed venture capital fund in the transaction will help Sichuan Ruijian Medical to further expand its shareholder base and support the rapid development of business.

Strategic Acquisitions

Over the past few years, the Group has successfully expanded our business segments and product portfolio through strategic acquisitions, and continued to improve our operation efficiency and profitability through the integration of acquired businesses. In the future, the Group will continue to look for forward-looking and sustainable targets in the market and integrate resources through mergers and acquisitions in order to achieve satisfactory investment returns.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the audited consolidated final results of the Group for the year ended December 31, 2023, together with the comparative figures for the year ended December 31, 2022, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3(b)	675,084	536,826
Cost of sales		<u>(294,187)</u>	<u>(238,001)</u>
Gross profit		380,897	298,825
Other gains — net	4	48,896	59,613
Loss on disposal of a subsidiary		(6,100)	—
Fair value loss on investment properties		(61)	(250)
Selling and marketing expenses		(76,086)	(67,471)
General and administrative expenses		(119,020)	(126,899)
Research and development expenses		<u>(41,130)</u>	<u>(40,975)</u>
Operating profit		187,396	122,843
Finance income — net	5	<u>43,671</u>	<u>34,904</u>
Profit before income tax	6	231,067	157,747
Income tax expense	7	<u>(26,044)</u>	<u>(28,880)</u>
Profit for the year		<u>205,023</u>	<u>128,867</u>
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(6,044)	49,400
Change in fair value of financial assets at fair value through other comprehensive income		<u>(29,908)</u>	<u>458</u>
Other comprehensive income for the year		<u>(35,952)</u>	<u>49,858</u>
Total comprehensive income for the year		<u>169,071</u>	<u>178,725</u>

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		153,184	106,041
Non-controlling interests		<u>51,839</u>	<u>22,826</u>
		<u>205,023</u>	<u>128,867</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		117,232	155,899
Non-controlling interests		<u>51,839</u>	<u>22,826</u>
		<u>169,071</u>	<u>178,725</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share attributable to owners of the Company for the year:			
Basic earnings per share	9	<u>9.78</u>	<u>6.77</u>
Diluted earnings per share	9	<u>9.78</u>	<u>6.77</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		906,872	931,227
Right-of-use assets		26,133	27,409
Investment properties	<i>10</i>	264,878	298,092
Intangible assets		1,096,987	1,092,448
Goodwill		564,085	564,085
Deferred tax assets		10,291	23,015
Long-term prepayments		9,941	9,511
Financial assets at fair value through other comprehensive income		61,280	90,329
Trade receivables		—	6,900
Loan receivables	<i>11</i>	180,000	—
		3,120,467	3,043,016
Current assets			
Inventories	<i>12</i>	136,605	132,228
Trade and other receivables	<i>13</i>	180,421	160,029
Loan receivables	<i>11</i>	120,000	266,294
Cash and cash equivalents		1,589,656	1,381,917
Financial assets at fair value through profit or loss	<i>14</i>	4,900	5,630
		2,031,582	1,946,098
Total assets		5,152,049	4,989,114

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Current liabilities			
Trade and other payables	15	130,080	125,682
Lease liabilities		759	3,113
Contract liabilities		7,766	12,462
Tax payables		10,658	26,594
		149,263	167,851
Net current assets		1,882,319	1,778,247
Non-current liabilities			
Lease liabilities		369	1,128
Deferred tax liabilities		154,712	159,466
Deferred government grants		22,720	23,114
		177,801	183,708
NET ASSETS		4,824,985	4,637,555
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	962	962
Share premium		1,489,876	1,489,876
Retained earnings		2,160,733	2,025,548
Reserves		392,770	428,837
		4,044,341	3,945,223
Non-controlling interests		780,644	692,332
TOTAL EQUITY		4,824,985	4,637,555

NOTES TO FINANCIAL INFORMATION

For the year ended 31 December 2023

1. GENERAL

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

The Company is an investment holding company. The Company and its subsidiaries (together, 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 Biomaterials 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 2023

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

The impact of the adoption of Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies has been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2023 did not have any significant impact on the Group’s accounting policies.

Disclosure of Accounting Policies (Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements)

The HKICPA issued HKFRS Practice Statement 2 Making Materiality Judgements in March 2021 to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose ‘significant accounting policies’ with ‘material accounting policy information’. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

(b) Potential impact arising on HKFRSs not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments") ^{2,4}
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments") ^{2,4}
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ No mandatory effective date yet determined but available for adoption.

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

³ Effective for annual periods beginning on or after 1 January 2025.

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Int 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

3. 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 tissue regenerative medical biomaterials and human tissue repair alternative product.

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, right-of-use assets, intangible assets and other non-current assets.

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

(i) As at end for the year ended 31 December 2023:

The segment results for the year ended 31 December 2023 are as follows:

	Infusion Set	Blood	Regenerative	
	RMB'000	Purification	Medical	Consolidated
	RMB'000	RMB'000	Biomaterials	RMB'000
			RMB'000	RMB'000
Segment revenue from external customers	281,063	394,021	—	675,084
Segment results (Operating profit)	96,172	137,324	(25,051)	208,445
Fair value loss on investment properties	(61)	—	—	(61)
Loss on disposal of a subsidiary	(6,100)	—	—	(6,100)
Finance income	16,503	3,367	875	20,745
Finance cost	—	(21)	(114)	(135)
Unallocated profit				8,173
Profit before taxation				231,067
Income tax expense				(26,044)
Profit for the year				205,023
Other segment items				
Depreciation of property, plant and equipment	34,576	31,445	898	66,919
Depreciation of right-of-use assets	406	464	406	1,276
Amortisation of intangible assets	3,232	18,664	8,170	30,066
Reversal of impairment losses recognised in respect of loan receivables	(4,706)	—	—	(4,706)
(Reversal of)/provision for impairment losses recognised in respect of trade receivables, net	<u>(4,361)</u>	<u>187</u>	<u>—</u>	<u>(4,174)</u>

The segment assets and liabilities as at 31 December 2023 are as follows:

	Infusion Set	Blood	Regenerative	Consolidated
	<i>RMB'000</i>	<i>Purification</i>	<i>Medical</i>	<i>Biomaterials</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Segment assets	1,607,943	1,334,631	1,013,385	3,955,959
Financial assets at fair value through other comprehensive income				61,280
Unallocated assets				<u>1,134,810</u>
Total assets				<u><u>5,152,049</u></u>
Liabilities				
Segment liabilities	102,335	96,429	124,096	322,860
Unallocated liabilities				<u>4,204</u>
Total liabilities				<u><u>327,064</u></u>

(ii) 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	Blood	Regenerative	Consolidated
	<i>RMB'000</i>	<i>Purification</i>	<i>Medical</i>	<i>Biomaterials</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>(2,983)</u>	<u>(32)</u>	<u>—</u>	<u>(3,015)</u>

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

	Infusion Set <i>RMB'000</i>	Blood Purification <i>RMB'000</i>	Regenerative Medical Biomaterials <i>RMB'000</i>	Consolidated <i>RMB'000</i>
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				<u>1,227,768</u>
Total assets				<u><u>4,989,114</u></u>
Liabilities				
Segment liabilities	55,753	105,248	143,263	304,264
Unallocated liabilities				<u>47,295</u>
Total liabilities				<u><u>351,559</u></u>

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.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Geographical markets		
China	606,231	505,623
India	24,467	21,468
North America	13,520	7,560
Others	<u>30,866</u>	<u>2,175</u>
Total	<u><u>675,084</u></u>	<u><u>536,826</u></u>

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.

(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	Blood	Regenerative	
	Infusion Set	Purification	Medical	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>Biomaterials</i>	<i>RMB'000</i>
			<i>RMB'000</i>	
Revenue from contracts with customers				
within the scope of HKFRS 15				
For the year ended 31 December 2023				
Revenue from hospitals	33,809	3,732	—	37,541
Revenue from medical products distributors	<u>247,254</u>	<u>390,289</u>	<u>—</u>	<u>637,543</u>
Total	<u><u>281,063</u></u>	<u><u>394,021</u></u>	<u><u>—</u></u>	<u><u>675,084</u></u>
For the year ended 31 December 2022				
Revenue from hospitals	37,364	2,578	—	39,942
Revenue from medical products distributors	<u>211,127</u>	<u>285,757</u>	<u>—</u>	<u>496,884</u>
Total	<u><u>248,491</u></u>	<u><u>288,335</u></u>	<u><u>—</u></u>	<u><u>536,826</u></u>
Timing of revenue recognition				
For the year ended 31 December 2023				
At a point in time	<u><u>281,063</u></u>	<u><u>394,021</u></u>	<u><u>—</u></u>	<u><u>675,084</u></u>
For the year ended 31 December 2022				
At a point in time	<u><u>248,491</u></u>	<u><u>288,335</u></u>	<u><u>—</u></u>	<u><u>536,826</u></u>

(c) **Concentration of customers**

There was no single customer that contributed to 10% or more of the Group's revenue for the years ended 31 December 2023 and 2022.

4. OTHER GAINS — NET

	2023 RMB'000	2022 RMB'000
Government grants	17,953	4,940
Rental income	14,360	14,612
Property management fee income	7,961	8,144
Loss on disposal of property, plant and equipment	(1,039)	(11)
Loss on guarantee liability (<i>note</i>)	(734)	(734)
Net foreign exchange gain	3,491	30,472
Processing income	4,209	—
Write-off other payables	1,978	—
Others	717	2,190
	<u>48,896</u>	<u>59,613</u>
Other gains — net	<u>48,896</u>	<u>59,613</u>

Note:

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

After assessing the risk relating to the joint guarantee liability, the directors of the Company accrued a provision to guarantee liability which included the principal and accumulated interest of the above loan in 2018. The loss recognised during the year ended 31 December 2022 and 2023 represents the interest accrued for the period on the guarantee liability.

As at 31 December 2023, the Group made claims against the other joint guarantor and the former owners of Xuzhou Yijia to claim such loss. Pursuant to on the judgement from the Nanjing Jianye District People's Court of the PRC in 2023, the other joint guarantor and the former owners of Xuzhou Yijia are liable to repay such loss to the Group. As of the date of approval of the consolidated financial statements, the other joint guarantor and the former owners of Xuzhou Yijia have not repay such loss.

5. FINANCE INCOME — NET

	2023 RMB'000	2022 RMB'000
Finance income		
Bank interest income	22,635	13,072
Interest income on wealth management product	4,154	6,680
Loan interest income	17,036	15,616
	<u>43,825</u>	<u>35,368</u>
Finance costs		
Interest on other borrowings	—	(337)
Interest on lease liabilities	(154)	(127)
	<u>(154)</u>	<u>(464)</u>
Finance income — net	<u>43,671</u>	<u>34,904</u>

6. PROFIT BEFORE INCOME TAX

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit before taxation has been arrived at after charging/(crediting):		
Directors' emoluments	2,205	2,127
Staff costs (excluding directors' emoluments):		
Wages, salaries and bonuses	97,519	73,265
Staff welfare	7,345	6,362
Social security costs	12,033	13,519
Housing fund	1,459	2,777
	<u>120,561</u>	<u>98,050</u>
Total staff costs	120,561	98,050
Auditor's remuneration:		
— Audit services	2,085	1,980
— Other services	1,063	445
Bad debt write-off	—	300
Write-off other receivables	900	—
Impairment loss of inventories	197	—
Reversal of impairment losses recognised in respect of trade receivables, net (Reversal of)/provision for impairment losses recognised in respect of loan receivables	(4,174)	(3,015)
Depreciation of property, plant and equipment	66,919	55,489
Depreciation of right-of-use assets		
— Properties	676	688
— Leasehold land and land use right	600	567
Amortisation of intangible assets	30,066	21,842
Write-off of intangible assets	—	11,400
Raw materials and consumable used	194,617	150,695
Research and development expenses	75,735	50,084
Less: amount capitalised in intangible assets	<u>(34,605)</u>	<u>(9,109)</u>
	<u><u>41,130</u></u>	<u><u>40,975</u></u>

7. TAXATION

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax		
PRC Income Tax expense for the year	(28,557)	(31,847)
Deferred income tax	<u>2,513</u>	<u>2,967</u>
Income tax expense	<u>(26,044)</u>	<u>(28,880)</u>

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% (2022: 25%).

Four subsidiaries (2022: Four) 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 (2022: 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.

Besides, according to the Notice on Implementing the Policy of Inclusive Tax Relief for Small and Micro Enterprises ("SMEs"), released by the Ministry of Finance on January 2021, qualified SMEs with annual taxable income below RMB1 million per year are entitled to a preferential EIT rate of 10% on 25% of their income. Whereas, qualified SMEs with taxable income from RMB1 to 3 million are entitled to a preferential EIT rate of 10% on 50% of their income, thirteen of the subsidiaries are entitled to the preferential tax rate for the year ended 31 December 2023.

(d) **Withholding tax (“WHT”)**

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

8. DIVIDENDS

The Board of Directors declared 2023 interim dividend of HK4.9 cents per ordinary share to the shareholders totaling approximately HK\$76,716,000.

The Board recommended a final dividend of HK4.95 cents (2022: nil) per ordinary share, absorbing a total amount of about HK\$77,499,000 (2022: nil) in respect of the year ended 31 December 2023, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting of the Company. The proposed dividends are not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2024. The final dividends are converted from Hong Kong dollars to Renminbi at the rate at the end of reporting period.

9. 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 2023.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company	<u>153,184</u>	<u>106,041</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,565,632</u>	<u>1,566,110</u>
Basic earnings per share (RMB cents per share)	<u>9.78</u>	<u>6.77</u>

(b) **Diluted**

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

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company	153,184	106,041
Weighted average number of ordinary shares in issue (thousands)	1,565,632	1,566,110
Adjustments for:		
— Share options (thousands)	<u>—</u>	<u>13</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>1,565,632</u>	<u>1,566,123</u>
Diluted earnings per share (RMB cents per share)	<u>9.78</u>	<u>6.77</u>

10. INVESTMENT PROPERTIES

	<i>RMB'000</i>
FAIR VALUE	
At 1 January 2022	298,342
Change in fair value	<u>(250)</u>
At 31 December 2022 and 1 January 2023	298,092
Addition	838
Change in fair value	(61)
Disposal of a subsidiary	<u>(33,991)</u>
At 31 December 2023	<u>264,878</u>

During the year ended 31 December 2023, the Group collected a property with carrying value of approximately RMB838,000 from the settlement of trade receivable which located at No. 1-6-2, Block 30, Dongcheng Garden, Dalian Economic Technology Development Zone, Dalian, with a construction area of approximately 213.08 square meters.

The balance represented:

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

The fair value of the Group's investment properties at 31 December 2023 was approximately RMB264,878,000 (31 December 2022: RMB298,092,000). The fair value of the Group's investment properties at 31 December 2023 have been arrived at on market value basis carried out by Shenzhen Pengxin Appraisal Ltd. (2022: Shenzhen Pengxin Appraisal Ltd.), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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

11. LOAN RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Fixed-rate loan receivables	300,000	271,000
Less: allowance for impairment loss	<u>—</u>	<u>(4,706)</u>
	300,000	266,294
Analysed as:		
Current	120,000	266,294
Non-current	180,000	<u>—</u>
	300,000	<u>266,294</u>

On 12 April 2021, a loan advance with the 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 was repaid in full on 11 April 2023. On 30 April 2023, the Group was regranted a loan advance with the principal of RMB180,000,000 at the rate of 5.5% per annum with a maturity date in April 2026. The interest is repayable on a half-yearly basis. It is considered to be low risk as the loan is collateralised by the real properties owned by the Borrower located in Beijing with fair value amounted to RMB255,660,000 and therefore the impairment provision is determined as 12 months expected credit losses. The management assessed that the effect of applying the expected credit risk model on loan receivable was immaterial.

As at 31 December 2022, the Group also had two unsecured, interest bearing loans with principals of RMB46,000,000 and RMB45,000,000 at the rates of 5.2% and 5.3% per annum with maturity dates in February 2023 and February 2023, respectively. The directors of the Company had 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 at an amount equal to 12-month ECL as at 31 December 2022. As these loans were repaid on February 2023, the Group reversed the loss allowance for these loan receivables of approximately RMB4,706,000.

On 28 September 2023, the Group made one secured, interest bearing loans to independent third party with the principal of RMB120,000,000 at the rate of 4.55% per annum with maturity dates in May 2024. The interest is repayable on a half-yearly basis. It is considered to be low risk as the RMB120,000,000 of loan is collateralised by the real properties owned by the Borrower located in Suzhou with fair value amounted to RMB180,395,000. Therefore the impairment provision is determined as 12 months expected credit losses. The management assessed that the effect of applying the expected credit risk model on loan receivable was immaterial.

12. INVENTORIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Raw materials	52,208	47,645
Work in progress	26,664	27,512
Finished goods	54,620	47,821
Goods in transit	<u>3,113</u>	<u>9,250</u>
	<u>136,605</u>	<u>132,228</u>

13. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables (<i>note i</i>)	74,456	79,015
Bills receivable (<i>note ii</i>)	1,154	374
Prepayments and deposits	15,537	19,756
Value added tax recoverable	15,944	17,830
Other receivables	29,688	27,441
Loan interest receivables	9,535	5,752
Amount due from a related party (<i>note iii</i>)	<u>34,107</u>	<u>16,761</u>
	180,421	166,929
Trade receivables — non-current	<u>—</u>	<u>(6,900)</u>
Trade and other receivables — current portion	<u>180,421</u>	<u>160,029</u>

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.

	2023	2022
	RMB'000	RMB'000
Up to 3 months	32,700	26,423
3 months to 6 months	11,940	17,420
6 months to 12 months	8,464	14,393
1 year to 2 years	4,745	10,758
2 years to 3 years	16,607	10,021
	<u>74,456</u>	<u>79,015</u>

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

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

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

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	RMB'000
Wealth management products		
— non-principal protected	<u>4,900</u>	<u>5,630</u>

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:

	2023	2022
	RMB'000	RMB'000
At beginning of year	5,630	127,001
Addition through the acquisition of subsidiaries	—	7,330
Addition	663,000	17,400
Disposal	<u>(663,730)</u>	<u>(146,101)</u>
At end of year	<u>4,900</u>	<u>5,630</u>

15. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	38,920	27,844
Salary and staff welfare payables	33,641	30,861
Advances from customers	9,638	7,768
Deposits received	3,789	4,235
Value added tax and other taxes	7,137	17,954
Professional service fee	6,948	6,756
Provision of loss from guarantee liability	21,946	21,211
Deferred government grant — current portion	1,121	1,132
Other payables	6,940	7,921
	<u>130,080</u>	<u>125,682</u>

As at 31 December 2023 and 2022, 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Up to 6 months	23,171	13,796
6 months to 12 months	2,610	1,928
Over 1 year	3,065	2,343
2 years to 3 years	206	6,760
Over 3 years	9,868	3,017
	<u>38,920</u>	<u>27,844</u>

16. SHARE CAPITAL

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

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

17. CAPITAL COMMITMENTS

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Commitments for the acquisition of:		
Property, plant and equipment	<u>36,052</u>	<u>35,571</u>

FINANCIAL REVIEW

OVERVIEW

	For the year ended		Change
	2023	2022	
	RMB'000	RMB'000	
Revenue			
— Infusion Set Business	281,063	248,491	13.1%
— Blood Purification Business ^(note i)	394,021	288,335	36.7%
— Regenerative Medical Biomaterials Business ^(note ii)	—	—	
Total Revenue	675,084	536,826	25.8%
Gross profit ^(note i)	380,897	298,825	27.5%
Gross profit margin	56.4%	55.7%	
Profit for the year ^{(note i) (note ii)}	205,023	128,867	59.1%
Profit attributable to owners of the Company ^{(note i) (note ii)}	153,184	106,041	44.5%

Notes:

- (i) The Group completed the acquisition of the Blood Purification Business on February 28, 2022, and consolidated the results of this business segment from March 1, 2022. Therefore, the Group's consolidated statement of profit or loss for the year ended December 31, 2022 includes figures for this segment for ten months, while for the year 2023, it includes results for twelve months. Please refer to further detailed analysis of the respective items provided below.
- (ii) The Group completed the acquisition of the Regenerative Medical Biomaterials Business on April 29, 2022, and consolidated the results of this business segment from April 30, 2022. Therefore, the Group's consolidated statement of profit or loss for the year ended December 31, 2022 includes figures for this segment for eight months, while for the year 2023, it includes results for twelve months. Please refer to further detailed analysis of the respective items provided below.

REVENUE

The total revenue of the Group increased by 25.8% from approximately RMB536.8 million in 2022 to approximately RMB675.1 million in 2023, as a result of the increase in sales of the Infusion Set Business and Blood Purification Business.

Revenue from the Blood Purification Business for the year ended December 31, 2023 amounted to approximately RMB394.0 million, representing an increase of 36.7% compared to approximately RMB288.3 million for the ten-month period ended December 31, 2022 (the period after the completion of the acquisition).

Comparing to the revenue from the Blood Purification Business as recorded in the unaudited management accounts of the relevant subsidiaries prepared under HKFRS for the year ended December 31, 2022, revenue from the Blood Purification Business increased by 17.6% for the year ended December 31, 2023. The increase is mainly contributed by the increase in sales volume as a result of increased market demand and the expansion of sales network during the year ended December 31, 2023.

Revenue from the Infusion Set Business amounted to approximately RMB281.1 million for the year ended December 31, 2023, representing an increase of 13.1% from 2022. The increase was mainly due to the increase in sales volume as a result of recovery of the hospital traffic in the PRC in 2023.

GROSS PROFIT

The Group's gross profit increased by 27.5% from approximately RMB298.8 million in 2022 to approximately RMB380.9 million in 2023. The gross profit margin increased from 55.7% in 2022 to 56.4% in 2023, as a result of the increase of the gross profit margin of the Infusion Set Business and the Blood Purification Business.

The gross profit of the Blood Purification Business increased by 40.6% from approximately RMB149.6 million for the ten-month period ended December 31, 2022 to approximately RMB210.4 million in 2023. The gross profit margin of the Blood Purification Business was 53.4% in 2023, increased by 1.5 percentage points from 51.9% for the ten-month period ended December 31, 2022, which was mainly due to the change in product mix.

Comparing to the gross profit from the Blood Purification Business as recorded in the unaudited management accounts of the relevant subsidiaries prepared under HKFRS for the year ended December 31, 2022, the gross profit of the Blood Purification Business increased by 25.3% for the year ended December 31, 2023.

The gross profit of the Infusion Set Business increased by 14.3% from approximately RMB149.2 million in 2022 to approximately RMB170.5 million in 2023. The gross profit margin of the Infusion Set Business increased from 60.0% in 2022 to 60.7% in 2023, which was mainly due to the decrease in unit production cost.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses of the Group increased by 12.8% from approximately RMB67.5 million in 2022 to approximately RMB76.1 million in 2023. This increase was mainly attributable to the increase of the selling expenses of the Blood Purification Business from approximately RMB17.9 million for the ten-month consolidation period in 2022 to RMB25.4 million for twelve-month consolidation period in 2023, which is largely in line with the growth of sales.

GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses of the Group decreased by 6.2% from approximately RMB126.9 million in 2022 to approximately RMB119.0 million in 2023. The decrease was mainly attributable to the decrease of administrative expenses incurred by the group headquarters and the Infusion Set Business, partially offset by the increase of administrative expenses incurred by the Regenerative Medical Biomaterials Business.

The general and administrative expenses of the group headquarters and the Infusion Set Business decreased by 22.8% from approximately RMB71.1 million in 2022 to approximately RMB54.9 million in 2023. The decrease was mainly due to: (i) the reversal of approximately RMB4.7 million impairment loss on loan receivables which was recognized in 2023 due to the loan receivable collection during the year, as compared to the provision of approximately RMB4.7 million in 2022; (ii) the reversal of impairment loss on trade receivables which increased from to RMB3.0 million in 2022 to RMB4.2 million in 2023; and (iii) the decrease of professional services fee incurred by the group headquarters.

The general and administrative expenses of the Regenerative Medical Biomaterials Business increased from approximately RMB6.0 million for the eight-month period in 2022 to approximately RMB13.3 million in 2023. The increase was mainly due to: (i) the amortisation of the intangible assets valuation surplus identified and recorded in the Group's consolidated financial statements during the purchase accounting process under HKFRSs, which amounted to approximately RMB7.4 million for the year ended December 31, 2023 (approximately RMB3.7 million for the eight-month post acquisition period in 2022); and (ii) the increase of personnel and office expenses, professional fee and other administrative expense.

The general and administrative expenses of the Blood Purification Business increased from approximately RMB49.8 million for the ten-month consolidation period in 2022 to approximately RMB50.8 million for the twelve-month consolidation period in 2023. The general and administrative expenses included effect of amortisation of the intangible assets and depreciation of property, plant and equipment valuation surplus identified and recorded in the Group's consolidated financial statements during the purchase accounting process under HKFRSs, which amounted to approximately RMB21.5 million for the year ended December 31, 2023 (approximately RMB17.9 million for the ten-month post acquisition period in 2022).

R&D EXPENSES

R&D expenses of the Group increased by 0.4% from approximately RMB41.0 million in 2022 to approximately RMB41.1 million in 2023, which was mainly due to the increase of R&D expenses incurred by the Blood Purification Business and the decrease of R&D expenses credited to profit and loss by Regenerative Medical Biomaterials Business.

R&D expenses of the Blood Purification Business increased from approximately RMB12.0 million for the ten-month post acquisition period during 2022 to approximately RMB15.9 million for the year ended December 31, 2023. The increase was mainly due to increased investment in R&D projects and a longer consolidation period in 2023.

R&D expenses of the Regenerative Medical Biomaterials Business decreased from approximately RMB15.9 million for the eight-month post acquisition period during 2022 to approximately RMB11.8 million for the year ended December 31, 2023. Total R&D expenditure (including expenditure recognized as expenses and capitalised) of the Regenerative Medical Biomaterials Business was approximately RMB32.1 million in 2023, representing an increase of approximately RMB9.7 million from approximately RMB22.4 million for the eight-month post acquisition period in 2022. The increase was mainly due to a longer consolidation period and the increased expenditure required for certain projects in clinical trial phase. As a higher proportion of the R&D expenditure satisfied the capitalisation criteria in 2023, the capitalised R&D expenditure increased from approximately RMB6.5 million for the eight-month post acquisition period in 2022 to approximately RMB20.3 million in 2023, while the R&D expenditure recognised as R&D expenses decreased from approximately RMB15.9 million in 2022 to approximately RMB11.8 million in 2023.

OTHER GAINS — NET

Net other gains of the Group decreased by 18.0% from approximately RMB59.6 million in 2022 to approximately RMB48.9 million in 2023. The decrease was mainly due to: (i) the decrease of net foreign exchange gain from approximately RMB30.5 million in 2022 to approximately RMB3.5 million in 2023 as a result of decrease in the amount of United States dollar deposits held by the Group during the year ended December 31, 2023; and (ii) the increase in government grants for approximately RMB13.0 million, which was mainly due to the receipt of subsidies for foreign investment enterprise by the Blood Purification Business.

LOSS ON DISPOSAL OF A SUBSIDIARY

For the year ended December 31, 2023, the Group incurred a loss of approximately RMB6.1 million due to the disposal of a dormant subsidiary of the Infusion Set Business.

FAIR VALUE LOSS ON INVESTMENT PROPERTIES

Fair value loss on investment properties was approximately RMB0.1 million for the year ended December 31, 2023, compared with fair value loss of approximately RMB0.3 million in 2022. The fair value loss represents the increase in fair value of investment properties located in Dalian, offset by the decrease in fair value of investment properties located in Beijing and Shandong.

OPERATING PROFIT

Operating profit of the Group increased by 52.5% from approximately RMB122.8 million in 2022 to approximately RMB187.4 million in 2023, mainly due to: (i) the increase of the operating profit generated by the Blood Purification Business from approximately RMB76.3 million for the ten-months

post acquisition period during 2022 to approximately RMB137.3 million for the year ended December 31, 2023 due to the increase of sales and other income; (ii) the increase of the operating profit generated by the group headquarters and the Infusion Set Business from approximately RMB68.0 million in 2022 to approximately RMB75.2 million in 2023 due to the increase of sales, and the decrease of general and administrative expenses, which was partially offset by the decrease of net foreign exchange gain; and (iii) the increase of operating loss generated by the Regenerative Medical Biomaterials Business from approximately RMB21.5 million for the eight-month post acquisition period during 2022 to approximately RMB25.1 million for the year ended December 31, 2023.

FINANCE INCOME — NET

Net finance income of the Group increased by 25.1% from approximately RMB34.9 million in 2022 to approximately RMB43.7 million in 2023, which was mainly due to the increase of loans granted to third parties and more efficient use of bank balances in short-term and low risk investment (including financial products) during the year.

INCOME TAX EXPENSES

Income tax expenses of the Group decreased by 9.8% from approximately RMB28.9 million in 2022 to approximately RMB26.0 million in 2023, which was mainly due to the profit increase of certain entities with a lower tax rate offset by the profit decrease of certain entities with higher tax rate, which resulted in a decrease in the overall effective tax rate of the Group for the year.

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 RMB205.0 million and RMB153.2 million in 2023, representing an increase of 59.1% and 44.5% from 2022, respectively. The increase was mainly due to increases of operating profit.

TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables primarily comprised the outstanding payment from credit sales. As at December 31, 2023, the trade and other receivables of the Group was approximately RMB180.4 million, representing an increase of approximately RMB13.5 million as compared to approximately RMB166.9 million as at December 31, 2022, which was mainly due to the increase of trade receivables of the Blood Purification Business as a result of increase in sales.

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 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 RMB35.2 million as at December 31, 2022, a total of RMB28.5 million was subsequently received up to December 31, 2023.

As at December 31, 2023, the Group had made loss allowances of RMB21.7 million (as at December 31, 2022: RMB25.9 million) on the trade receivables with a gross amount of RMB96.2 million (as at December 31, 2022: RMB104.9 million).

INVENTORIES

Inventories of the Group increased by 3.3% from approximately RMB132.2 million as at December 31, 2022 to approximately RMB136.6 million as at December 31, 2023, which was mainly due to the increase of inventories of the Blood Purification Business caused by the increase in stock of raw materials and finished goods with the increase in sales, partially offset by the decrease of inventories of the Infusion Set Business, which was caused by the faster inventory turnover to meet the increase in sales orders.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of the Group mainly include buildings and facilities, machinery and equipment and construction in progress. As at December 31, 2023, the property, plant and equipment of the Group amounted to approximately RMB906.9 million, representing a decrease of approximately RMB24.3 million as compared to approximately RMB931.2 million as at December 31, 2022. The decrease was mainly the net result of the depreciation and purchase of new production facilities.

INTANGIBLE ASSETS AND GOODWILL

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

As at December 31, 2023, the net value of the Group's intangible assets and goodwill was approximately RMB1,661.1 million, representing an increase of RMB4.6 million as compared to approximately RMB1,656.5 million as at December 31, 2022. The increase was primarily due to amortisation of the intangible assets which amounted to approximately RMB30.1 million and addition of capitalised development costs which amounted to approximately RMB34.6 million during the year ended December 31, 2023.

LOAN RECEIVABLES

As at December 31, 2023, the Company's gross amount of loan receivable was approximately RMB300.0 million which includes a loan granted to an independent third party in April 2023 as disclosed in the announcement of the Company dated April 20, 2023 and a loan granted to an independent third party in September 2023 as disclosed in the announcement of the Company dated September 5, 2023. The detailed information regarding the loan receivables could be found in Note 11 to the consolidated financial information for the year ended December 31, 2023.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of December 31, 2023, the Group's financial assets at fair value through other comprehensive income was approximately RMB61.3 million (December 31, 2022: RMB90.3 million). The decrease was mainly due to the decrease in the fair value of the Group's investment in the H shares of Lepu Biopharma as a result of decline in its share price.

FINANCIAL RESOURCES AND LIQUIDITY

As at December 31, 2023, the Group's cash and bank balances amounted to approximately RMB1,589.7 million (2022:RMB1,381.9 million). As at December 31, 2023, the Group's bank borrowing balances was nil (2022: nil).

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

PLEDGE OF ASSETS

During the year ended December 31, 2023, 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 at December 31, 2023, the Group had a total capital commitment of approximately RMB36.1 million (2022: RMB35.6 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

CAPITAL EXPENDITURE

During the year ended December 31, 2023, the Group incurred expenditure of RMB39.5 million (2022: RMB40.2 million) on the construction in progress including facilities and production lines and expenditure of RMB42.4 million (2022: 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,	
	2023	2022
	RMB'000	RMB'000
Total borrowing	—	—
Total equity	4,824,985	4,637,555
Total capital	4,824,985	4,637,555
Gearing ratio	<u>0.00%</u>	<u>0.00%</u>

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 of the Group denominated in foreign currencies. The Group did not hedge against any fluctuation in foreign currency during the year ended December 31, 2023. 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, 2023, 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 (2022: 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 at December 31, 2023, 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 state-owned enterprises or major customers with good repayment history. There was no material default of the balances in the past.

EMPLOYEES

The Group had approximately 1,244 employees as at December 31, 2023, as compared to 1,124 employees as at December 31, 2022. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2023.

2024 ANNUAL GENERAL MEETING

The Company's forthcoming annual general meeting will be held on June 14, 2024 (the "**2024 AGM**").

For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from June 11, 2024 to June 14, 2024, both days inclusive, and during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2024 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on June 7, 2024.

FINAL DIVIDEND

The Board has approved and adopted a revised dividend policy (the "**Revised Dividend Policy**") with effect from August 16, 2023. According to the Revised Dividend Policy, 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 Board intends to distribute no less than 70% of the profit attributable to shareholders of the Company for a financial year as dividends pursuant to the Revised Dividend Policy. Depending on the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders and other factors as set out in the Revised Dividend Policy, dividends may be recommended and/or declared by the Board during a financial year.

In light of the solid financial performance of the Group for the year ended December 31, 2023 and in appreciation of the shareholders' continuing support, the Board has recommended the payment of a final dividend of HK4.95 cents per share for the year ended December 31, 2023 (for the year ended December 31, 2022: nil). Together with the interim dividend of HK4.9 cents per share already paid, total dividend for the full year of 2023 amounted to HK9.85 cents per share.

For determining the entitlement to the proposed final dividend for the year ended December 31, 2023, the register of members of the Company will be closed from July 8, 2024 to July 10, 2024, both days inclusive, and during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on July 5, 2024.

Subject to the shareholders' approval at the 2024 AGM, the final dividend will be payable on July 26, 2024 to shareholders whose names appear on the register of members of the Company at the close of business on July 10, 2024. Such declaration of final dividend demonstrates the Company's commitment to delivering shareholder returns as well as its optimism about the Group's business prospects.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted the code provisions as set out in the “Corporate Governance Code” (the “**Code**”) as contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Code during the year ended December 31, 2023, with the exception of code provision C.2.1 of the Code.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by each of the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company’s securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year ended December 31, 2023. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year ended December 31, 2023.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company (comprising Mr. Wang Xiaogang, Mr. Chen Geng and Mr. Lin Junshan) has reviewed with the Group's management the consolidated financial information of the Group for the year ended December 31, 2023, including accounting principles and practices adopted by the Group, and discussed risk management and internal controls and financial reporting matters.

Review of Preliminary Announcement of Results by the Independent Auditor

The figures in respect of the Group's results for the year ended December 31, 2023 as set out in this announcement have been agreed by the Company's independent auditor, BDO Limited, in relation to the amounts set out in the Group's consolidated financial statements for the year ended December 31, 2023. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by BDO Limited on this announcement.

APPRECIATION

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

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

Hong Kong, March 28, 2024

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