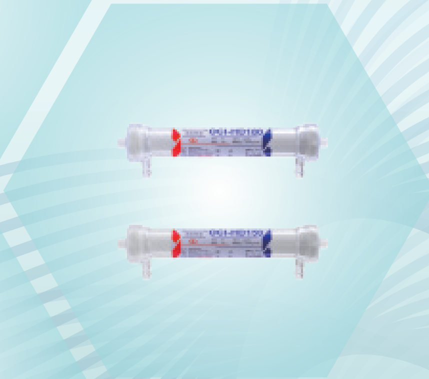
PW MEDTECH GROUP LIMITED
普华和顺集团公司

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







2023 ANNUAL REPORT

A True Pioneer in China's Medical Device Industry

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

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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 a new 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.

Definitions

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

"2024 AGM"	the AGM to be held on June 14, 2024
"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 blood purification medical devices
"Board"	the board of Directors
"Cayman Islands Companies Law"	the Companies Law, 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 July 21, 2017 and was previously listed on the NASDAQ Stock Market since 2009 (NASDAQ stock code: CBPO)
"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 C1 to the Listing Rules
"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
"Chairman"	the chairman of the Board
"Company", "Group", "PW Medtech" or "we"	PW Medtech Group Limited (普华和順集团公司), 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
"Dr. Pu"	Dr. Zhongjie Pu, the spouse of Ms. Yue'e Zhang and the actual controller of Lepu Medical
"Guide"	the "Environmental, Social and Governance Reporting Guide" as contained in Appendix C2 to the Listing Rules
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS(s)"	Hong Kong Financial Reporting Standards

"Infusion Set Business"	the R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc.
"Investment Agreement"	an investment agreement dated December 22, 2023 entered into among the Sichuan Ruijian's Investor, Medcore Investment, the Sichuan Ruijian's Original Minority Shareholders and Sichuan Ruijian Medical
"IPO"	the Company's initial public offering of its Shares
"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)
"Medcore Acting-In-Concert Agreement"	the acting in concert agreement dated December 22, 2023 entered into between Medcore Investment and Ningbo Zhengyao in relation to their acting in concert of the exercise of their respective voting right in the shareholders' meetings of Sichuan Ruijian Medical
"Medcore Investment"	Medcore Investment Limited (美宜科投資有限公司), a limited company incorporated under the laws of Hong Kong on September 9, 2021 and a wholly-owned subsidiary of the Company
"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 C3 to the Listing Rules
"Ningbo Yihui"	Ningbo Yihui Investment Management Center (Limited Partnership) (寧波醫惠投資管理中心(有限合夥)), a limited partnership incorporated in the PRC on October 17, 2014 and one of the Sichuan Ruijian's Original Minority Shareholders
"Ningbo Zhengyao"	Ningbo Zhengyao Investment Management Center (Limited Partnership) (寧波正垚投資管理中心(有限合夥)), a limited partnership incorporated in the PRC on November 30, 2015, and one of the Sichuan Ruijian's Original Minority Shareholders
"Nomination Committee"	the nomination committee of the Company
"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
"Renewed Purchase of Medical Devices Molds and Components Framework Agreement"	the purchase of medical devices molds and components framework agreement dated January 1, 2024 entered into between the Company and Lepu Medical for the purchase of medical devices molds and components by the Group from Lepu Medical Group
"Reporting Period"	the year ended December 31, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Sales of Medical Devices Framework Agreement"	the sales of medical devices framework agreement dated July 5, 2022 entered into between the Company and Lepu Medical for the sales of medical devices from the Group to the Lepu Medical Group
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value US$0.0001 each in the issued share capital of the Company
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on October 14, 2013
"Share Transfer"	the transfer of 15,712,308 shares of Sichuan Ruijian Medical from Ningbo Yihui to the Sichuan Ruijian's Investor at the consideration of RMB140 million pursuant to the Investment Agreement
"Shareholder(s)"	holder(s) of Shares
"Share Subscription"	the share subscription of 15,130,370 new shares of Sichuan Ruijian Medical by the Sichuan Ruijian's Investor at a consideration of RMB140 million pursuant to the Investment Agreement
"Sichuan Ruijian Medical"	Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司), a joint stock limited liability company established in PRC on August 6, 2013, a non-wholly owned subsidiary of the Company
"Sichuan Ruijian's Investor"	Shenzhen Venture Capital Manufacturing Transformation and Upgrading New Materials Fund (Limited Partnership) (深創投製造業轉型升級新材料基金(有限合夥)), a limited partnership established in the PRC on June 28, 2020
"Sichuan Ruijian's Original Minority Shareholders"	collectively, Lepu Medical, Ningbo Yihui, Shanghai Junwei Investment Management Center (Limited Partnership) (上海鈞衛投資管理中心(有限合夥)), Rizhao Chengrui Corporate Management Partnership (Limited Partnership) (日照成睿企業管理合夥企業(有限合夥)), Tianjin Tongchen Medical Technology Partnership (Limited Partnership) (天津同辰醫療科技合夥企業(有限合夥)), Ningbo Zhengyao and Wang Tao (王滔)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

Corporate Information

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Mr. JIANG Liwei
Mr. LIN Junshan

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. SO Ka Man, *FCG, HKFCG*

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Ms. Yue'e ZHANG
Ms. SO Ka Man

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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

REGISTERED OFFICE

The Grand Pavilion Commercial Centre
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 Medical Device Co., Ltd. and further expanded into Infusion Set Business
- Acquired Shenzhen Bone Medical Device Co., Ltd. ("**Shenzhen Bone**") and expanded into joint products
- Listed on The Main Board of the Stock Exchange on November 8, 2013

2011

- Acquired Beijing Fert Technology Co., Ltd. ("**Fert Technology**") and entered into Infusion Set Business

2008

- Acquired Tianjin Walkman Biomaterial Co., Ltd. ("**Walkman Biomaterial**") and entered into the business of development, manufacturing and sale of orthopedic implants products (the "**Orthopedic Implant Business**")

2002

- Tianxinfu (Beijing) Medical Appliance Co., Ltd. ("**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, 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.

- Final dividend proposed per share for the year ended December 31, 2023 was HK4.95 cents (for the year ended December 31, 2022: nil). Total dividend per share for the year ended December 31, 2023 was HK9.85 cents (for the year ended December 31, 2022: nil).

Financial Summary

RESULTS

	For the Year Ended December 31,				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Revenue	362,183	247,352	271,399	536,826	**675,084**
Profit before income tax	85,808	626,599	737,464	157,747	**231,067**
Profit for the year	81,969	631,811	739,117	128,867	**205,023**
Profit attributable to:					
Owners of the Company	81,982	631,814	739,120	106,041	**153,184**
Non-controlling interests	(13)	(3)	(3)	22,826	**51,839**

ASSETS AND LIABILITIES

	As at December 31,				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Total assets	5,351,830	5,283,595	3,915,027	4,989,114	5,152,049
Total liabilities	743,341	175,316	122,639	351,559	327,064
Equity attributable to the owners of the Company	4,608,648	5,108,441	3,792,388	3,945,223	4,044,341

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, 2023.

Looking back at 2023, accelerated changes were saw in the global political and economic landscape and the world economy slowly recovered from the impact of factors such as the COVID-19 pandemic. China's economy has shown considerable resilience under multiple challenges, with annual GDP growth of 5.2%.

According to data in terms of the industry, as of September 2023, the total number of patients visiting medical healthcare institutions in China was 5.11 billion, representing an increase of 6.0% as compared to the same period in 2022, and the demand for medical treatment was further released. Demand for medical devices has also recovered in the market, and the market size of China's medical device industry is expected to reach RMB1.25 trillion in 2023, continuing to grow steadily. Meanwhile, the Chinese government has revised, issued and implemented a series of policy documents on medical device product innovation, quality control of medical device business, and volume-based centralized purchasing of medical consumables, which continue to encourage medical device enterprises to innovate technology, promote medical device enterprises to improve quality and increase efficiency, and support high-quality development of the industry.

Against the backdrop of continuing to promote innovation and high-quality development in the medical device industry under policies, as a leading medical device company in China, PW Medtech has always focused on the safety and effectiveness of its medical devices. Supported by technological innovation and following the philosophy of "adhering to the medical healthcare and reverence for life", it has endeavored to satisfy the diversified needs of the public for medical device products and contribute to the development and advancement of the medical business in China.

BUSINESS REVIEW

Being a leader in China's medical device industry, PW Medtech focuses on fast-growing and high-margin segments of China's medical device market and now has three business segments, namely Infusion Set Business, Blood Purification Business and Regenerative Medical Biomaterials Business. In 2023, with the integration of resource advantages after the acquisition and the synergistic development of the three business segments, the Group's strength was significantly enhanced. Benefited from the sales growth of Blood Purification Business and Infusion Set Business as well as the extension of the consolidation period of Blood Purification Business, for the year ended December 31, 2023, the Group recorded revenue of RMB675.1 million, representing an increase of 25.8% from 2022. It recorded gross profit of RMB380.9 million, increased by 27.5% from 2022. The gross profit margin for the year was 56.4%.

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, making significant progress in its R&D achievement during the year. In 2023, for the Infusion Set Business segment, the Group successfully obtained the registration certificates for dialysis cannula and light resistant cannula, making it one of the earliest enterprises in the PRC to obtain the registration certificates for these two products. For the Blood Purification Business segment, the Group has submitted applications for registration of dialysis machines and continuous blood purification machines. For the Regenerative Medical Biomaterials Business segment, the Group has submitted applications for registration of breast tissue patch and oral cavity repair membrane products. In addition, it is proceeding with the clinical trials of the injectable cosmetic products and has already completed the type testing of the biological sponge products.

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, Sichuan Ruijian Medical, a subsidiary of the Group under the Blood Purification Business segment, obtained investment from SCGC New Materials Fund (深創投新材料基金). The introduction of state-backed venture capital further expanded the shareholder base of Sichuan Ruijian Medical, which will effectively support the rapid development of Blood Purification Business.

DIVIDEND

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.

FUTURE PROSPECTS

The medical device industry is an important foundation for the construction of the medical healthcare system. With the increasing market demand and policy support, the medical device industry has ample room for growth. As a leading company in China's medical device industry, the Group will seize development opportunities, continuously improve its product innovation and R&D capabilities, 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 development opportunities 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 28, 2024

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 BeijingHuiTong 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 to May 2023, and successively served as an assistant professor and lecturer in the Teaching and Research Office of Party History of the Department of Theory (理論系黨史教研室), an associate professor and director of the Teaching and Research Office of International Trade of the Department of Economics and Trade (經貿系國際貿易教研室), a professor and director of the Department of International Trade of the School of Economics (經濟學院國際貿易系), and a person-in-charge of the Master's degree programme for International Commerce (國際商務專業). 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.

Management Discussion and Analysis

MARKET AND BUSINESS REVIEW

PW Medtech Group Limited 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, i.e. the Blood Purification Business, and the business of Beijing Ruijian Biological, i.e. the Regenerative Medical Biomaterials Business, which, together with 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 Business 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 the Sichuan Ruijian's Investor, the Sichuan Ruijian's 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 the Sichuan Ruijian's Investor at a consideration of RMB140 million; and one of the Sichuan Ruijian's Original Minority Shareholders sold part of the shares of Sichuan Ruijian Medical to the Sichuan Ruijian's Investor at a consideration of RMB140 million. Upon completion of the transactions, the Sichuan Ruijian's Investor 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.

Financial Review

OVERVIEW

	For the year ended December 31,		
	2023	2022	Change
	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 details are disclosed in Notes 21 and 41(b) to the consolidated financial statements for the year ended December 31, 2023.

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 19 to the consolidated financial statements 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 Co., Ltd. as a result of decline in its share price. The detailed information regarding the financial assets could be found in Note 18 to the consolidated financial statements for the year ended December 31, 2023.

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	**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 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 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, 2023, 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 with clear directions 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, 2023, 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, 2023.

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 is currently appointed for a term of commencing from February 3, 2024 to March 30, 2025 pursuant to her appointment letter. Mr. JIANG Liwei is currently appointed for a term of 3 years commencing from March 31, 2022, pursuant to his respective appointment letter. 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 2024 AGM, Mr. WANG Xiaogang and Ms. WANG Fengli 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 2024 AGM. The Board and the Nomination Committee recommended their re-election. The Company's circular, published on the websites of the Company and the Stock Exchange 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 trainings 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, 2023, 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 trainings/education	
	Attending trainings 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 Board meets to review the Company's key activities. Board meetings are held at least four times a year at approximately quarterly interval to discuss and review the objectives, strategies and policies of the Company, including any significant acquisitions and disposals, annual budget, financial performance and to approve the release of the financial results. Ad-hoc Board meetings will be held, as and when necessary, to address significant transactions or issues that may arise in between regular 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, 2023 are set out below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Director:					
Ms. Yue'e ZHANG	4/4	—	—	1/1	1/1
Non-executive Directors:					
Mr. LIN Junshan	4/4	3/3	1/1	—	1/1
Mr. JIANG Liwei	4/4	—	—	—	1/1
Independent non-executive Directors:					
Mr. WANG Xiaogang	4/4	3/3	—	1/1	1/1
Mr. CHEN Geng	4/4	3/3	1/1	—	1/1
Ms. WANG Fengli	4/4	—	1/1	1/1	1/1

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, 2023.

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, 2023. 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, 2023.

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, 2023, 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. The Remuneration Committee is also responsible for reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended December 31, 2023, 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, 2023 is set out below:

Remuneration band (HK$)	Number of individual
Nil to HK$1,000,000	1
HK$1,000,001 — HK$1,500,000	3

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, 2023 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, 2023, 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 and Appendix C1 to 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, 2023, the Group had a total of 825 female staff out of 1,244 employees, representing 66% 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, 2023.

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, 2023, 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 6, 2023 (the "2023 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, 2023. 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, 2023, 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, 2022, 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, 2022 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 2023 AGM;

— Review and discussion of the interim financial statements, results announcement and report for the six months ended June 30, 2023 and the related accounting principles and practices adopted by the Group;

— Review of continuing connected transactions;

— Discussion of the nature, plan and scope of the Group's audit and the audit fee for the year ended December 31, 2023; 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, 2023.

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, 2023.

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, 2023, the Board, as supported by the Audit Committee as well as the report from the management and the internal audit findings, reviewed half-annually 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, 2023.

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, 2023 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, 2023 are analyzed below:

Type of services provided by the external auditor	Fees paid/ payable (RMB'000)
Audit services	
— Statutory audit services	2,615
Non-audit services	
— Review on interim results for the six months ended June 30, 2023	420
— Special auditing matters in respect of continuing connected transactions	45
— Other services (perform agreed-upon procedures on the Group's financial information)	68
TOTAL:	3,148

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, 2023 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 amended its Articles on June 6, 2023. Details of the amendments are set out in the circular of the Company dated April 27, 2023. An up-to-date memorandum and articles of association of the Company 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.

Environmental, Social and Governance Report

STATEMENT OF THE BOARD

The board of directors of the Group (the "Board") is the highest responsible and decision-making institution for environmental, social and governance ("ESG") matters, which takes ultimate responsibility for the Company's ESG strategies and report, and monitors environmental, social and governance related matters that may affect the Company's business or operation, shareholders and other stakeholders[1]. The Board is responsible for identifying and evaluating environmental, social and governance risks related to the Group, making sure that the Group has appropriate and effective environmental, social and governance risk management and internal control system in place. Please refer to "The Group's ESG Philosophy, Governance Structure and Risk Management" for details.

The Group attaches great importance to each stakeholder's suggestions and opinions. In this regard, it ensures sufficient communication with key stakeholders through various channels, in order to discuss and determine material environmental, social and governance issues of the Group and potential environmental, social and governance risks it may face, it also constantly improves environmental, social and governance related strategies and policy systems. Please refer to "Communication with the Stakeholders" for details.

The Group has developed an environmental, social and governance goal management system in respect of indicators such as carbon emissions, pollutant emissions, energy consumption and water resources management, and conducts an annual review of the progress of the goals and reviews any necessary adjustment and improvement, in order to make sure that the Group will make sustained progress in realizing environmental, social and governance goals. Please refer to "Management of emissions and resources" for details.

The Board and all Directors warrant that there are no false representations, misleading statements or material omissions contained in this report and accept responsibility for the authenticity, accuracy and completeness of the information contained herein. This report discloses the details of progress and effectiveness of environmental, social and governance work of the Group in 2023, and the Group undertakes to use its best endeavors 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 28, 2024.

ABOUT THIS REPORT

This is the eighth 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 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 and Xuzhou-based plants related to the "Medical Device Business" of the Group (referred to as the "Fert Plant"), 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"). This Report discloses the environmental, social and governance performance of the Group from January 1, 2023 to December 31, 2023 (the "Year").

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 C2 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.

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. For the sake of being prepared to address the increasingly stringent environmental, social and governance related requirements in the coming year, 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, the Group has made splendid achievement in infusion set business, blood purification business and regenerative medical biomaterials business. The enhancement of the Group's comprehensive strength in various fields not only brings more opportunities but also poses greater challenges to the development of the Group, making the Group attach more importance to improving corporate governance and internal control, so as to protect the Group's trade secrets and intellectual property.

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 intensify its development in infusion set, blood purification, regenerative medical biomaterials and other fields, 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, 2023, the Group owned 161 patents for its products and 52 new patents are in the process of application. In the field of advanced infusion set, the PW Medtech Group has leading market positions. In terms of the "Fert" brand, the Group has always been focusing on providing safer and more effective solutions for transfusion treatment, and is one of the first manufacturers which obtained the approval of the National Medical Products Administration to manufacture precision filter infusion sets. Sichuan Ruijian Medical Technology Co. Ltd. of the Group 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. Beijing Ruijian High-Tech Biological Technology Co., Ltd. of the Group 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 Group encourages R&D and proactively maintains healthy R&D and innovation atmosphere. 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 acknowledges the importance of innovation and R&D to the development of the medical industry, and will therefor 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 transforming to green operation, choosing eco-friendly materials and suppliers with environmental qualification at business level, reducing emissions and controlling energy consumption at operation level, 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 the Group recognizes the importance of environmental, social and governance 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.

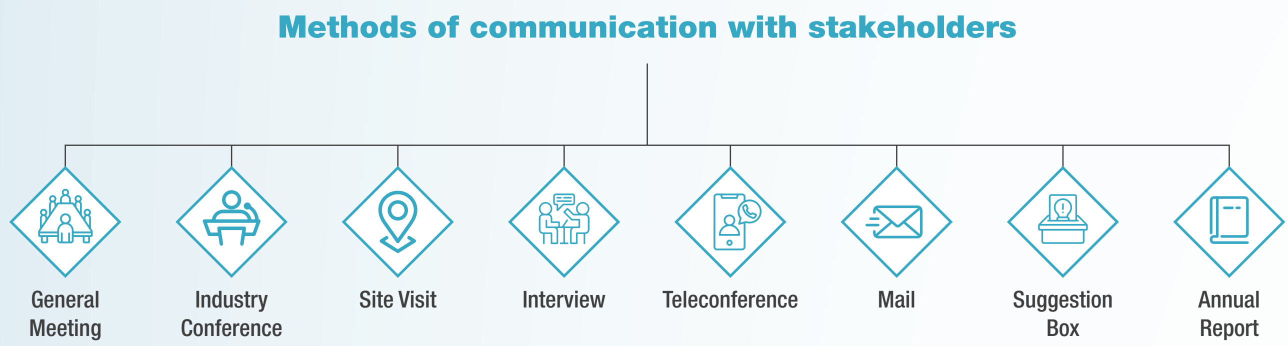
The Group evaluated the materiality of identified ESG risks to the Company mainly from the following perspectives: probability of occurrence (i.e., predicting the frequency based on historical operation) and the extent of impact, for example, in respect of financial impact, the damages, fines, additional 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", and adopts a production approach with a "focus on preventive measures and a combination of prevention and control". The Group has formulated systems such as "Management System for Safety Production Education and Training", "Responsibility System for Safety Production", "Production Safety Inspection Management System", "Safety Management System for Hazardous Operations", "Management System for Reporting and Handling Production Safety Accidents" and "Management System for Investigations and Rectification of Hidden Hazards and Filing and Monitoring". The Group establishes a safety management organization and engages full-time safety managers, among which, both the major principals and full-time safety managers own corresponding capabilities and have obtained relevant training certificate. The Group conducts monthly investigations and rectification of hidden hazards in order to constantly better the working environment for the staff. The Group has formulated respective safety management systems, passed the evaluation on grade II safety production standardization and is able to proceed sustained and dynamic management and improvement based on all the elements of standardization.

Types of position and employees that are at risk of exposing to occupational health and safety hazards are made known and notified in advance. 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 and work permits.

The Group organizes safety production related trainings monthly, which not only include the basic trainings on safety production and operation of basic equipment, but also include induction safety trainings for new employees and special safety trainings for employees of special types of work, such as limited space operation training, accident prevention training, trainings on the use of protective articles and other trainings.

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 systems. 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 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 five work-related injury cases in total, and those injured employees aggregately took 33 days off work. All these work-related injuries are attributable to improper production operation, in view of the accidents, the Group took various measures such as improving the production equipment, eliminating hidden safety hazards of production equipment and organizing relevant trainings on safety production awareness and operation for relevant employees. For the sake of avoiding such injuries in coming years, the Group organized a number of relevant operational trainings for all staff to improve the awareness of crisis prevention of employees and further standardized the operational procedure. During the Year, it organized 233 (2022: 17) occupational safety training programs for employees, covering 1,204 (2022: 821) employees. 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, skills and comprehensive capacities of staff required for their job positions.

During the Year, the Group organized more than 839 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 16,133 training hours. In 2022, 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.

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 disposal of exhaust gas emissions and greenhouse gas emissions, hazardous and 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 Emissions

During the Year, 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. Of which, the nitrogen oxides, sulfur oxides and respirable suspended particles from vehicles combusting fossil fuels were 11.78 (2022: 10.81) kg, 0.52 (2022: 0.41) kg and 1.19 (2022: 1.00) kg respectively. Such increase in nitrogen oxides, sulfur oxides and respirable suspended particles from vehicles combusting fossil fuels was resulted from the slightly higher usage of vehicles during the Year. Vehicles of the Group are mostly up to the National V Emission Standard. By minimizing the usage of vehicles up to the National IV Emission Standard and National III Emission Standard, the Group strives to make continuous contribution to reducing emissions. During the year, the nitrogen oxides, sulfur oxides and respirable suspended particles from the consumption of natural gas by the Group were 8,924.32 (2022: 7,276.70) kg, 2,231.08 (2022: 1,819.18) kg and 892.43 (2022: 727.67) kg respectively. The consumption of natural gas increased slightly due to higher usage of Ruijian Medical production equipment and kitchen equipment during the Year. In the future, the Group will make every attempt to improve the consumption efficiency of natural gas while ensuring production efficiency and quality and protecting the welfare of employees.

The Group formulated the "Vehicle Management Provisions" to strictly control the usage of vehicles, pursuant to which, personnel responsible for recording vehicle use shall be appointed to strictly prohibit private use of business vehicles, and drivers are required to make proper use of vehicles and reduce fuel consumption, enabling lower use of vehicles and less consumption of energy to some extent. Vehicles are driven to vehicle administration office every year for annual inspection to make sure that they meet national standards. The Group applies for fuel cards to compliant gas stations of companies such as Sinopec and China National Petroleum Corporation to ensure fuel compliance. At present, vehicles of the Company all conform to national emission standards. In the coming years, the Company shall improve the efficiency in using vehicles and reduce the usage of vehicles. For example, to adopt bulk express delivery to replace some retail shipment by vehicle, or to choose public transportation including carpooling, taking a bus or subway when the employees go out for business.

The Fert Plant of the Group uses ethylene oxide to sterilize its infusion sets products in operations, which generates ethylene oxide exhaust gas. During the construction of the ethylene oxide sterilization facilities, the Fert Plant 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 Fert Plant 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 channelled to the exhaust gas treatment equipment before direct emission. The Fert Plant 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. In order to make sure that gas emission meets standards, the Fert Plant engages third-party testing organization to conduct annual testing according to the GBZ/T160.58-2004 standard. All testing results are up to standard.

Nitrogen oxides, sulfur oxides and respirable suspended particulates are generated from the consumption of natural gas in using Ruijian Medical's production equipment and kitchen equipment in operation. Of these, natural gas 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, accounts for the vast majority of the total amount of natural gas used, and natural gas used directly in the kitchen equipment (company canteen) accounts for a relatively small proportion. 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 process of producing hemodialysis related products by Ruijian Medical. However, with the use of water absorption method, VOCS are dissolved in water before being extracted. The water dissolving VOCS is subject to relevant treatment before being discharged as wastewater. Ruijian Medical has engaged third parties with professional qualification to conduct regular waste testing, with no testing results exceeding standards and all emissions meeting standards.

Ruijian Biological has not commenced formal production, and therefore no vehicle has been provided for official business trips. If necessary, employees generally choose to take 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.

In 2022, 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 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/m^2, sulfur oxides at 0.02 kg/m^2 and respirable suspended particulates at 0.01 kg/m^2 for the next three years.

During the Year, the Group's intensity of nitrogen oxides stood at 0.11 kg/m^2, sulfur oxides at 0.03 kg/m^2 and respirable suspended particulates at 0.01 kg/m^2. During the Year, both exhaust gas emissions and the intensity of exhaust gas emissions of the Group increased slightly as compared with those of the previous year, which was mainly attributable to the overall increase of exhaust gas emissions at Group level resulting from the facts that production capacity of the Group rose year by year and the picked-up business of Ruijian Medical consuming natural gas accounted for a relatively large proportion of the Group's business. In the coming years, the Group will keep an eye on exhaust gas emissions and pay close attention to cutting-edge technology and new equipment for reducing exhaust gas emissions in medical device industry, in a bid to apply them into the operation of the Group on a timely basis.

	Type	Emissions for the Year	Intensity (based on area, i.e., "kg/m^2")	Emissions for 2022
Exhaust gas emission[2]	Nitrogen oxides (kg)	8,936.10	0.11	7,287.52
	Sulfur oxides (kg)	2,231.60	0.03	1,819.59
	Respirable suspended particles (kg)	893.62	0.01	728.67

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) Emissions

The quantification process of the GHG emissions 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 were approximately 22,912.77 (2022: 16,688.97) tons of carbon dioxide equivalent. The GHG intensity of Scope 1 and Scope 2 was 0.11 tons of carbon dioxide equivalent/m^2 and 0.17 tons of carbon dioxide equivalent/m^2 respectively. Compared to 2022, carbon dioxide equivalent for the Year increased by 6,223.80 tons, representing a less increment. Among Scope 1, carbon dioxide equivalent generated from vehicles of the Group increased by 20.37 tons, carbon dioxide equivalent generated from the consumption of nature gas increased by 1,620.89 tons and carbon dioxide equivalent generated from the consumption of refrigerant decreased by 23.80 tons. Among Scope 2, carbon dioxide equivalent generated from purchased electricity increased by 4,606.34 tons.

Refrigerant consumed by the Group is generated by Ruijian Medical mainly for the purpose of maintaining sound production and operation environment for the staff by running air conditioners in summer. At Ruijian Medical, air conditioners are only used for refrigeration purpose from May to October. The temperature of air conditioners in summer is accurately controlled at not less than 26℃, and the temperature of air conditioners in winter is controlled at not higher than 22℃. As the park where the Group's 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.

During the Year, the Group's Fert Plant continued to take relevant measures on energy conservation and consumption reduction, such as replacing the infrared intelligent human sensor lightings in common areas including office buildings and dormitory, controlling the temperature of ground source heat pumps, phasing out or replacing circulating pumps with more efficient ones and encouraging employees to save power.

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. During the Year, Ruijian Medical issued the "Notice on Saving Printing Papers in Office", pursuant to which, employees are required to try their best to facilitate paperless office by reducing unnecessary paper printing, papers generated from misprinted document shall be collected in a recycling box of reusable papers for reuse, it is encouraged to use reusable papers or preset the printer to double-sided printing mode when printing documents for unofficial and internal circulation purposes, in order to boost the effective use of paper.

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 emissions under Scope 3 is not required. Thus, there are no statistics and disclosure for other indirect GHG emissions under Scope 3 during the Year.

In 2022, the Group has set up a new target for indirect GHG emissions associated with energy under Scope 2 by taking 2022 as the base year, assuming its business does not change materially. The target is to maintain the Group's GHG intensity at 0.17 (Scope 1 and 2, carbon dioxide equivalent in tons/m^2) in the next three years.

During the Year, the GHG intensity of Scope 1 and Scope 2 of the Group was 0.28 tons of carbon dioxide equivalent/m^2. GHG emissions of the Group for the Year increased slightly with a higher intensity of GHG emissions as compared with those of the previous year, which was mainly attributable to the overall increase of GHG emissions at the Group level resulting from the facts that production capacity of the Group rose year by year, the picked-up business of Ruijian Medical consuming natural gas accounted for a relatively large proportion of the Group's business and power consumption by Ruijian Medical increased. In the coming years, the Group will keep an eye on GHG emissions and purchase equipment enabling to enhance energy efficiency and reduce energy consumption, with product quality and production capacity guaranteed. Besides, the Group will also intensify the promotion of energy conservation and emission reduction in its day-to-day production and operation, while urging its staff, suppliers and clients to jointly participate in low carbon and environmental protection actions.

	Scope	Emissions for the Year	Emissions for 2022
GHG emissions	Scope 1: Direct GHG emissions (carbon dioxide equivalent in tons)	9,003.72	7,386.26
	Scope 2: Indirect GHG emissions associated with energy (carbon dioxide equivalent in tons)	13,909.04	9,302.71
	Total GHG emissions (Scope 1 and 2, carbon dioxide equivalent in tons)	22,912.77	16,688.97
	GHG intensity (Scope 1 and 2, carbon dioxide equivalent in tons/m^2)	0.28	0.17

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 332,716.00 (2022: 280,712.00) m^3.

The Group strives 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, thoroughly cleaned the underground rainwater and sewage pipes, set up a collection system for the above-ground rainwater and used it for virescence irrigation, and also used the domestic water leaked from the broken pipes for virescence irrigation in the park. During the Year, the Fert Plant gradually replaced the smart sensor bathroom supplies and the water pipes in the park to further save water. 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.

In 2022, 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.

During the Year, the Group's water consumption intensity was 50.26 m^3/10,000 items. During the Year, the water consumption of the Group slightly increased compared to last year, and the intensity of emissions slightly increased, mainly due to the increase in the Group's production capacity year by year and the increase in the volume of business of Ruijian Medical under the Group, which accounted for a larger proportion of the Group's business volume. Due to technical requirements, the water consumption density of the products produced by Ruijian Medical is higher than that of other products of the Group, resulting in an increase in the Group's overall water consumption. Since all aspects of the Group's production and operation require water resources, the Group will pay more attention to water resources consumption in the coming years, add waste water reuse equipment to improve the recycling rate of water resources, and posted water-saving slogans in office areas, plants, staff dormitories and canteens to advocate water conservation.

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 697.69 (2022: 634.71) tons of non-hazardous wastes.

The Group generated a total of 300.70 (2022: 124.37) 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.

The significant increase in the amount of hazardous waste generated during the Year was mainly due to the increase in production capacity resulting in Ruijian Medical generated 291.68 tons of hazardous waste, including organic solvent wastewater, increased 169.68 tons compared to last year. 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” (State Council of the PRC Order No. 591). It also sets up the hazardous chemical warehouse and hazardous waste warehouse and hazardous waste temporary storage room. The site selection, equipment and facilities of the hazardous waste temporary storage room are in line with the “Standard for Pollution Control on Hazardous Waste Storage”. Moreover, the Group designs a labelling method for the hazardous waste with relevant documents required to be hung on the wall and being managed by designated personnel, thereby strictly observing national laws and regulations in using and handling hazardous chemicals and hazardous waste. The hazardous wastes generated in the production and inspection process are treated by professional treatment companies, among which the ethylene oxide exhaust gas after being treated by the exhaust gas treatment equipment will be converted into wastewater oil-containing ethylene glycol, which is treated by a professional treatment company, and other wastes are treated by a professional treatment company.

In 2022, 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 nonhazardous waste intensity and hazardous waste intensity at 0.77 tons/employee and 0.0217 tons/10,000 items respectively in the next three years.

The Group’s non-hazardous waste intensity and hazardous waste intensity were at 0.58 tons/employee and 0.0454 tons/10,000 items respectively for the Year. During the Year, the Group’s non-hazardous waste disposal slightly increased, and the disposal intensity calculated by employees significantly decreased, and the target was achieved. During the Year, the hazardous waste disposal of the Group significantly increased compared to last year, and the disposal intensity significantly increased, mainly due to the increase in the Group’s production capacity year by year and the increase in the volume of business of Ruijian Medical under the Group, which accounted for a larger proportion of the Group’s business volume. Due to technical requirements, the hazardous waste disposal density generated in the production process of Ruijian Medical is higher than that of other products of the Group, resulting in an increase in the total volume of hazardous waste of the Group. Since hazardous waste is consumed in all aspects of the Group’s production and operation, in the coming years, the Group will pay more attention to the hazardous waste disposal and pay attention to the reusable hazardous consumables in the market, reduce the use of disposable hazardous consumables, and improve the disposal requirements of hazardous waste, so as to carry out testing in accordance with standards and achieve disposal standards.

Use of Resources

The types of energy used in the Group are mainly gasoline, natural gas 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 1,181.86 (2022: 949.75) tons of packaging materials for the Year and the intensity of packaging materials calculated by production volume was 0.18 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 a total of 1,044.96 (2022: 984.92) tons. In terms of packaging materials for finished products, a total of 733.33 (2022: 558.15) tons of paper boxes and packaging bags were consumed. 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 1,450.67 (2022: 1,406.48) tons. A total of 448.29 (2022: 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. 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. 2.30 (2022: 2.56) tons of biomaterials were consumed for the Year. A total of 0.24 (2022: 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.

During the Year, the Group consumed a total of 65,493.15 (2022: 50,627.35) megawatt hours of energy, including 42,772.80 (2022: 34,865.71) megawatt hours of direct energy, most of which was the natural gas used by Ruijian Medical, reaching 42,426.91 (2022: 34,594.02) megawatt hours. The total energy consumption of the Group also includes 22,720.35 (2022: 15,761.64) megawatt hours of indirect energy. The significant increase in the Group's total energy consumption compared to 2022 was mainly due to an increase in production capacity.

In 2022, 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.

During the Year, the Group's energy use intensity was 9.89 megawatt hours/10,000 items. The Group's energy use for the Year slightly increased compared to last year, and although the Group's production increased by 8,856,300 items compared to last year, the disposal intensity still increased slightly. In the coming years, the Group will concern more on energy use and save energy and electricity.

	Type	Consumption for the Year	Consumption for 2022
Energy use	Direct energy (Megawatt hours)[3]	42,772.80	34,865.71
	Indirect energy (Megawatt hours)	22,720.35	15,761.64
	Total energy consumption (Megawatt hours)	65,493.15	50,627.35
	Energy intensity (calculated by production "Megawatt hours/10,000 items")	9.89	8.83

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 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.

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 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 formulate 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).

Risk types	Impact on the Group	Measures to deal with
Physical Risk		
Acute risk: Extreme weather accident	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.	The Group has developed "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.
Chronic risk: Rising global temperatures, rising sea levels	Global warming leads to the melting of glaciers, rising sea levels and other chronic changes impact on the production of products, product storage and transportation in future.	Continue to pay attention to global warming, improve the plant operating environment and product storage environment.
Transition Risk		
Policy and regulatory risks: Tightening of climate-related policies	The introduction of policies related to energy conservation and emission reduction, to comply stricter emission reporting obligations and compliance requirements.	Continue to monitor regulatory trends to ensure that the Group's emissions comply with the latest legal requirements.
Technical risk: Products are replaced by new low-carbon technology products	The medical device market expects products to be cleaner and more environmental, or the Group's products to be completely replaced by new technology products.	Continue to encourage research and development and innovation, pay attention to new trends in the market, focus on the emergence of new technologies in the product and widely absorb talents.
Market risk: The demand for green products in the market is increasing	The medical device market has paid more attention to green products, and the emergence of more green similar products has reduced the market competitiveness of the Group's products.	Continue to encourage research and development and innovation, explore green procurement ways, produce green products with green technology, to maintain core competitiveness with high technical level and professional production capacity over the years.
Reputation risk: Society's impression and evaluation of low-carbon enterprises	Customers or communities have a poor impression and evaluation of high-carbon emission enterprises, so they do not invest in or buy their products, which affects their profitability and market share.	Continue to take measures to reduce carbon emissions, disclose and publicize the company's ESG contribution to the community, and advocate carbon reduction actions.

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

"Regime for Supplier Review Management", "Procurement Control Procedures".

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.

Environmental requirements for suppliers	Social requirements for suppliers
Investigate the environmental performance of the suppliers, including their exhaust gas emissions, 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", "Identification and Traceability Control Procedures" (《標識和可追溯性控制程序》). "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 (2022: did not) receive product complaints and did not (2022: 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's product labels comply with relevant laws and regulations on the identification of medical devices. The Group has formulated the "Regulations for the Management on the use of Labels and Qualification Seals" and the "Identification and Traceability Control Procedures" to regulate the management on 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, carried out special lectures on mental health to ease psychological anxiety, and integrated environmental protection and resource conservation into daily work to achieve harmonious coexistence between human and nature.

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.

Aspect	Relevant laws and regulations	Compliance disclosure	Possible material impact on the Company	Measures to ensure compliance with the laws and regulations
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.
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	Emissions for the Year	Emissions for 2022
Exhaust gases	Nitrogen oxides (kg)	8,936.10	7,287.52
	Sulfur oxides (kg)	2,231.60	1,819.59
	Respirable suspended particles (kg)	893.62	728.67

	Scope	Emissions for the Year	Emissions for 2022
GHG emissions	Scope 1: Direct GHG emissions (carbon dioxide equivalent in tons)		
	Fossil fuel combustion — fixed source	8,779.59	7,158.70
	Fossil fuel combustion — mobile source	94.93	74.57
	Refrigerants	129.20	153.00
	Scope 2: Indirect GHG emissions associated with energy (carbon dioxide equivalent in tons)		
	Purchased electricity	13,909.04	9,302.71
	Total GHG emissions (carbon dioxide equivalent in tons)	22,912.77	16,688.97
	GHG intensity (carbon dioxide equivalent in tons/m^2)	0.28	0.17

	Type	Generation for the Year	Generation for 2022
Wastes	Hazardous wastes (tons)	300.70	124.37
	Intensity of hazardous wastes (calculated by production volume, i.e., "tons/10,000 items")	0.0454	0.0217
	Non-hazardous wastes (tons)		
	Domestic waste	697.69	634.71
	Intensity of non-hazardous wastes (calculated by the number of employees, i.e., "tons/number of employees")	0.58	0.77

	Type	Consumption for the Year	Consumption for 2022
Use of energy	Direct energy (Megawatt hours)		
	Gasoline	345.89	271.69
	Natural gas	42,426.91	34,594.02
	Indirect energy (Megawatt hours)		
	Electricity	22,720.35	15,761.64
	Total energy consumption	65,493.15	50,627.35
	Energy intensity (calculated by production volume, i.e., "Megawatt hours/10,000 items")	9.89	8.83

		Consumption for the Year	Consumption for 2022
Use of water resources	Total water consumption (m^3)	332,716.00	280,712.00
	Intensity of water consumption (calculated by production volume, i.e.,"m^3/10,000 items")	50.26	48.95

		Consumption for the Year	Consumption for 2022
Use of packaging materials	Total packaging materials (tons)	1,181.86	949.75
	Intensity of packaging materials (calculated by production volume, i.e., "tons/10,000 items")	0.18	0.17

SOCIAL PERFORMANCE

Employee Distribution		Number of employees for the Year	Number of employees for 2022
Gender	Male	398	432
	Female	806	398
Type of employment	Key management	14	22
	Management	59	38
	General staff	1,131	770
Form of employment	Full-time	1,204	830
	Part-time	0	0
Age	Below 30	207	168
	30–40	571	420
	41–50	342	215
	Above 50	84	27
Gender ratio (male: female)		0.49:1	1.09:1
Total		1,204	830

Employee Distribution		Distribution and percentage of resigned employees for the Year[4]	Distribution and percentage of resigned employees for 2022[5]
Gender	Male	94 (23.6%)	77 (17.8%)
	Female	257 (31.9%)	153 (38.4%)
Age	Below 30	111 (53.6%)	64 (38.1%)
	30–40	172 (30.1%)	120 (28.6%)
	41–50	59 (17.3%)	39 (18.1%)
	Above 50	9 (10.7%)	7 (25.9%)
Total number and percentage[5]		351 (29.2%)	230 (27.7%)

Occupational safety and health performance	Indicator for the Year	Indicator for 2022	Indicator for 2021
Work-related fatalities and percentage	0	0	0
Number and percentage of employees who suffered from work-related injuries	5, 0.4%	3, 0.4%	1, 0.3%
Lost working days due to work-related injuries	33	146	3

Training		Data for the Year		
		Distribution and percentage of employees receiving training[6]	Training hours (hours)	Average training hours (hours)[7]
Gender	Male	398 (33.1%)	5,623	14.1
	Female	806 (66.9%)	10,510	13.0
Type of employment	Key management	14 (1.2%)	494	35.3
	Management	59 (4.9%)	1,444	24.5
	General staff	1,131 (93.9%)	14,195	12.6

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.

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.

Training		Distribution and percentage of employees receiving training	Training hours (hours)	Average training hours (hours)
		Data for 2022		
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
Total number of employees receiving training and training hours		Data for the Year		
		1,204 (100.00%)	16,133	13.4
		Data for 2022		
		821 (98.92%)	7,759	9.4

Regions in which the suppliers are located	Number of suppliers Data for the Year	Data for 2022
Eastern China	383	615
Central China	34	49
Southern China	199	204
Northern China	118	213
Northeast Region	8	11
Western China	2	2
Southwest Region	391	710
Northwest Region	7	13
Overseas	21	3
Hong Kong	1	0

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended December 31, 2023.

PRINCIPAL ACTIVITIES

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011. The principal business activity of the Company is investment holding. The Group is principally engaged in the R&D, manufacturing and sales of (i) advanced infusion set, intravenous cannula products, insulin needles etc., (ii) blood purification medical devices, and (iii) animal-derived regenerative medical biomaterials and human tissue repair alternative products in the PRC.

The activities and particulars of the Company's subsidiaries are shown under Note 39 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year ended December 31, 2023 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, 2023, 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.

DIVIDEND

The Board has recommended the payment of a final dividend HK4.95 cents per share for the year ended December 31, 2023 (for the year ended December 31, 2022: 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 intends to distribute no less than 70% of the profit attributable to shareholders of the Company for a financial year.

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 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;
- interests of Shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

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:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may deem appropriate.

Any final dividend for a financial year will be subject to shareholders' approval. 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 annual general meeting of the Company will be held on Friday, June 14, 2024. The notice of the annual general meeting will be published and dispatched (if requested) in due course in the manner as required by the Listing Rules.

CLOSURE OF THE REGISTER OF MEMBERS FOR 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.

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 10 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, 2023 are set out in Note 14 to the consolidated financial statements on page 128 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended December 31, 2023 are set out in Note 27 to the consolidated financial statements on page 143 of this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2023, 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, 2023 are set out in Note 28 and Note 40(b) to the consolidated financial statements on page 144 and page 164 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company's distributable reserves were RMB2,585.51 million.

BORROWINGS

As at December 31, 2023, the Company's borrowing balance was nil.

DONATIONS

During the year ended December 31, 2023, the Group did not make any charitable donations (2022: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 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

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.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in the CG Code as contained in Appendix C1 to the Listing Rules as its own code to govern its corporate governance practices.

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

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

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

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, 2023 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 13 to 15 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 (i) to Ms. Yue'e ZHANG, the executive Director for a term from February 3, 2024 to March 30, 2025; (ii) to Mr. JIANG Liwei, a non-executive Director, for a term of 3 years from March 31, 2022; (iii) 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; and (iv) 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 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, 2023.

DIRECTOR'S INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

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, 2023.

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 and other benefits) paid to the Directors in aggregate for the year ended December 31, 2023 was approximately RMB2.2 million.

The remuneration (including salaries, retirement benefit scheme contribution and other benefits) paid to the Group's five highest paid individuals in aggregate for the year ended December 31, 2023 was approximately RMB5.3 million.

For the year ended December 31, 2023, 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, 2023.

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 123 to 124 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 pages 149 of this annual report.

Save as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2023, 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, 2023. The independent non-executive Directors have conducted such review for the year ended December 31, 2023 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 4.13 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)) for the benefit of the Directors is currently in force and was in force throughout the year ended December 31, 2023.

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, 2023.

LOAN AND GUARANTEE

During the year ended December 31, 2023, 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, 2023, 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.

On July 2, 2023, the Pre-IPO Share Option Scheme was expired and the share options which were granted under the Pre-IPO Share Option Scheme but not exercised had been lapsed. Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the year ended December 31, 2023 are set out below:

	Number of options					
Name or category of option holders	Outstanding as at January 1, 2023	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2023
Director of the Company						
Mr. WANG Xiaogang	118,471	—	—	—	118,471	Nil
Total	118,471	—	—	—	118,471	Nil

Note:

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

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

A detailed summary of the terms (including the terms of the 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 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. On October 13, 2023, the Share Option Scheme had expired and no more share options may be granted under the Share Option Scheme.

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, 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company 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%

\+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at December 31, 2023.

Save as disclosed above and in the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" and to the best knowledge of the Directors, as at December 31, 2023, 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, 2023, the following corporations/persons had interests of 5% or more in the issued Shares according to the register of interests required to be kept by the Company under section 336 of the SFO:

Long position in ordinary Shares

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

Notes:

(1) The entire issued share capital of Cross Mark Limited is legally and beneficially owned by Ms. Yufeng LIU. Under the SFO, Ms. Yufeng LIU is deemed to be interested in the same number of shares 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, 2023.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2023, 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 3.9% of the Group's total revenue from continuing operations. The Group's five largest customers accounted for approximately 17.2% of the Group's total revenue from continuing operations.

In the year under review, the Group's largest suppliers accounted for approximately 6.4% of the Group's total cost of sales from continuing operations. The Group's five largest suppliers accounted for 19.9% 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 1,244 employees as at December 31, 2023, as compared to approximately 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 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.

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

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, each of the transactions contemplated under the Sales of Medical Devices Framework Agreement and the Medical Products Processing Services 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 at the extraordinary general meeting of the Company under Chapter 14A of the Listing Rules.

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 and the circular of the Company dated August 11, 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

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 transactions contemplated under the Purchase of Medical Devices Molds and Components Framework Agreement constitute 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 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.

The Purchase of Medical Devices Molds and Components Framework Agreement was renewed on January 1, 2024. The term of the Renewed Purchase of Medical Devices Molds and Components Framework Agreement will commence from January 1, 2024 to December 31, 2024. For further details, please refer to the announcement of the Company dated January 1, 2024.

Annual review of the continuing connected transactions

All independent non-executive Directors have reviewed the continuing connected transaction and confirmed that this transaction was 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 letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Main Board Listing Rule 14A.56.

Save as disclosed above, during the year ended December 31, 2023, 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, 2023 are set out in Note 36 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 36 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

DEEMED DISPOSAL OF 2.51% EQUITY INTEREST IN A SUBSIDIARY AS A RESULT OF NEW ISSUANCE OF SHARES OF A SUBSIDIARY

On December 22, 2023, the Investor, Medcore Investment, the Sichuan Ruijian's Original Minority Shareholders and Sichuan Ruijian Medical entered into the Investment Agreement pursuant to which (1) the Sichuan Ruijian's Investor agreed to purchase and Ningbo Yihui, one of the Sichuan Ruijian's Original Minority Shareholders, agreed to sell 15,712,308 shares of Sichuan Ruijian Medical at a consideration of RMB140 million, and (2) the Sichuan Ruijian's Investor agreed to subscribe for, and Sichuan Ruijian Medical agreed to issue 15,130,370 new shares at a consideration of RMB140 million.

Immediately prior to the Share Transfer and the Share Subscription, the Company, through Medcore Investment, holds 51% equity interest in Sichuan Ruijian Medical. Upon completion of the Share Transfer and the Share Subscription, the equity interest held by the Company (through Medcore Investment) in Sichuan Ruijian Medical will decrease from 51% to 48.49%. Upon completion of the Share Transfer and the Share Subscription, Sichuan Ruijian Medical remains as a non-wholly owned subsidiary of the Company, and the results, assets and liabilities of the Sichuan Ruijian Medical will continue to be consolidated into the financial statements of the Group.

On December 22, 2023, Medcore Investment and Ningbo Zhengyao entered into the Medcore Acting-In-Concert Agreement pursuant to which Medcore Investment and Ningbo Zhengyao agreed to exercise their voting rights unanimously in respect of their respective equity interest in Sichuan Ruijian Medical at all shareholders' meetings of Sichuan Ruijian Medical. Medcore Investment and Ningbo Zhengyao also agreed that, if they are unable to reach a unanimous consent in relation to any matters to be presented at the shareholders' meetings of Sichuan Ruijian Medical, Ningbo Zhengyao shall exercise its voting rights at the shareholders' meetings of Sichuan Ruijian Medical in accordance with the decision made by Medcore Investment.

Listing Rules Implications

The Share Subscription as contemplated under the Investment Agreement constitutes a deemed disposal of the Company's equity interest in Sichuan Ruijian Medical under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Share Subscription, is more than 5% but less than 25%, the Share Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the notification and announcement requirements under the Listing Rules.

For further details, please refer to the announcement of the Company dated December 22, 2023.

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.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

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, 2023 and the accounting principles and policies adopted by the Group.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2023 were audited by BDO Limited.

BDO Limited has been re-appointed as the auditor of the Company since the annual general meeting of the Company held on June 6, 2023.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2023, 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, 28 March, 2024

Independent Auditor's Report

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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 page 88 to 168, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 2023, 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 RMB906,872,000, RMB1,661,072,000 and RMB26,133,000 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;
- Involving our internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group and external experts;
- 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.

Fair value measurement of investment properties

As at 31 December 2023, the fair value of investment properties was approximately RMB264,878,000 with a fair value loss of approximately RMB61,000 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;

- Involving our internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group and external experts;

- 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, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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, 28 March 2024

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	6(b)	**675,084**	536,826
Cost of sales		**(294,187)**	(238,001)
Gross profit		**380,897**	298,825
Other gains — net	7	**48,896**	59,613
Loss on disposal of a subsidiary	35	**(6,100)**	—
Fair value loss on investment properties	15	**(61)**	(250)
Selling and marketing expenses		**(76,086)**	(67,471)
General and administrative expenses		**(119,020)**	(126,899)
Research and development expenses		**(41,130)**	(40,975)
Operating profit		**187,396**	122,843
Finance income — net	8	**43,671**	34,904
Profit before income tax	9	**231,067**	157,747
Income tax expense	11	**(26,044)**	(28,880)
Profit for the year		**205,023**	128,867
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		**(29,908)**	458
Other comprehensive income for the year		**(35,952)**	49,858
Total comprehensive income for the year		**169,071**	178,725

	Notes	2023 RMB'000	2022 RMB'000
Profit for the year attributable to:			
Owners of the Company		**153,184**	106,041
Non-controlling interests		**51,839**	22,826
		205,023	128,867
Total comprehensive income for the year attributable to:			
Owners of the Company		**117,232**	155,899
Non-controlling interests		**51,839**	22,826
		169,071	178,725
Earnings per share attributable to owners of the Company for the year:		**RMB cents**	RMB cents
Basic earnings per share	13	**9.78**	6.77
Diluted earnings per share	13	**9.78**	6.77

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**906,872**	931,227
Right-of-use assets	29	**26,133**	27,409
Investment properties	15	**264,878**	298,092
Intangible assets	16	**1,096,987**	1,092,448
Goodwill	17	**564,085**	564,085
Deferred tax assets	26	**10,291**	23,015
Long-term prepayments		**9,941**	9,511
Financial assets at fair value through other comprehensive income	18	**61,280**	90,329
Trade receivables	21	**—**	6,900
Loan receivables	19	**180,000**	—
		3,120,467	3,043,016
Current assets			
Inventories	20	**136,605**	132,228
Trade and other receivables	21	**180,421**	160,029
Loan receivables	19	**120,000**	266,294
Cash and cash equivalents	37	**1,589,656**	1,381,917
Financial assets at fair value through profit or loss	22	**4,900**	5,630
		2,031,582	1,946,098
Total assets		**5,152,049**	4,989,114
Current liabilities			
Trade and other payables	23	**130,080**	125,682
Lease liabilities	29	**759**	3,113
Contract liabilities	24	**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	29	**369**	1,128
Deferred tax liabilities	26	**154,712**	159,466
Deferred government grants	25	**22,720**	23,114
		177,801	183,708
NET ASSETS		**4,824,985**	4,637,555

	Notes	2023 RMB'000	2022 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**962**	962
Share premium		**1,489,876**	1,489,876
Retained earnings		**2,160,733**	2,025,548
Reserves	28	**392,770**	428,837
		4,044,341	3,945,223
Non-controlling interests	33	**780,644**	692,332
TOTAL EQUITY		**4,824,985**	4,637,555

The financial statements on pages 88 to 168 were approved by the Board of Directors on 28 March 2024 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 2023

	Share capital RMB'000	Share premium RMB'000	Other reserves (note 28) RMB'000	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests (note 33) RMB'000	Total equity RMB'000
Balance as at 1 January 2022	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**
Comprehensive income							
Profit for the year	**—**	**—**	**—**	**153,184**	**153,184**	**51,839**	**205,023**
Other comprehensive income							
Currency translation differences	**—**	**—**	**(6,044)**	**—**	**(6,044)**	**—**	**(6,044)**
Change in fair value of financial assets at fair value through other comprehensive income	**—**	**—**	**(29,908)**	**—**	**(29,908)**	**—**	**(29,908)**
Total comprehensive income for the year	**—**	**—**	**(35,952)**	**153,184**	**117,232**	**51,839**	**169,071**
Lapse of share options	**—**	**—**	**(115)**	**115**	**—**	**—**	**—**
Contribution from non-controlling interest	**—**	**—**	**—**	**—**	**—**	**140,000**	**140,000**
Change in ownership in interest in a subsidiary without change of control (note 34)	**—**	**—**	**—**	**53,483**	**53,483**	**(53,483)**	**—**
Payment of dividend to a subsidiary's non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(50,044)**	**(50,044)**
2023 interim dividend paid (note 12)	**—**	**—**	**—**	**(71,597)**	**(71,597)**	**—**	**(71,597)**
Total transaction with owners	**—**	**—**	**(115)**	**(17,999)**	**(18,114)**	**36,473**	**18,359**
At 31 December 2023	**962**	**1,489,876**	**392,770**	**2,160,733**	**4,044,341**	**780,644**	**4,824,985**

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Profit before income tax		**231,067**	157,747
Adjustments for:			
Depreciation of property, plant and equipment	14	**66,919**	55,489
Depreciation of right-of-use assets	29	**1,276**	1,255
Amortisation of intangible assets	16	**30,066**	21,842
Loss on disposal of property, plant and equipment, net	7	**1,039**	11
Loss on disposal of a subsidiary	35	**6,100**	—
Fair value loss on investment properties	15	**61**	250
Write-off of intangible assets	16	**—**	11,400
Loss on guarantee liability	7	**734**	734
Interest expense	8	**154**	464
Interest income	8	**(43,825)**	(35,368)
Unrealised exchange (gains)/losses		**(12,742)**	53,996
Bad debt written-off	9	**—**	300
Write-off other payables	7	**(1,978)**	—
Write-off other receivables	9	**900**	—
Impairment loss of inventories	9	**197**	—
(Reversal of)/provision for impairment loss recognised in respect of loan receivables	9	**(4,706)**	4,706
Reversal of impairment losses recognised in respect of trade receivables, net	41(b)	**(4,174)**	(3,015)
Operating cash flows before movements in working capital		**271,088**	269,811
Increase in inventories		**(4,574)**	(5,457)
Increase in trade and other receivables		**(11,486)**	(28,463)
Increase in trade and other payables		**5,654**	40,420
Decrease/increase in contract liabilities		**(4,696)**	10,188
Decrease in deferred government grants		**(394)**	(2,932)
Cash generated from operations		**255,592**	283,567
Income taxes paid		**(44,561)**	(14,334)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**211,031**	269,233
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(7,758)**	(12,294)
Purchases of intangible assets		**(34,605)**	(9,397)
Payments for development costs of construction in progress		**(39,548)**	(40,167)
Interest received		**43,825**	35,368
Proceeds from disposal of property, plant and equipment		**3,703**	111
Purchases for acquisition of financial assets at fair value through other comprehensive income		**—**	(79,871)
Proceeds from disposal of financial assets at fair value through profit or loss		**663,730**	146,101
Purchases for acquisition of financial assets at fair value through profit or loss		**(663,000)**	(17,400)
Net cash outflow from acquisition of subsidiaries	32	**—**	(1,013,779)
Net cash inflow from disposal of a subsidiary	35	**35,988**	—
Net cash outflow from loan to independent third parties		**(29,000)**	(91,000)
NET CASH USED IN INVESTING ACTIVITIES		**(26,665)**	(1,082,328)

	Notes	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES			
Repayment for lease liabilities	37(b)	**(671)**	(617)
Repayment of other borrowings	37(b)	**—**	(83,019)
Proceeds from capital contribution to a subsidiary by non-controlling interests	34	**140,000**	2,000
Payment for repurchase of shares		**—**	(3,064)
Payment of dividend to a subsidiary's non-controlling interests		**(50,004)**	—
Dividend paid		**(71,597)**	—
Interest paid	37(b)	**(154)**	(464)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**17,534**	(85,164)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**201,900**	(898,259)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**5,839**	(4,596)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,381,917**	2,284,772
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Represented by bank balances and cash		**1,589,656**	1,381,917

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 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.

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

(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

Further information about those HKFRSs that are expected to be applicable to the Company is as follows:

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Company's financial statements.

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

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

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

Amendments to HKFRS 16 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 effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e. 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants (the "2020 Amendments")

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Company is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information and quantitative information as at the beginning of the annual reporting period and interim disclosures. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Company's 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 21, Lack of Exchangeability

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate the comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Company's financial statements.

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.

3.2 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. ACCOUNTING POLICIES

4.1 Principles of consolidation

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.

4.2 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.

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.

4.4 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.

4. ACCOUNTING POLICIES (Continued)

4.4 Foreign currency translation (Continued)

(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.

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.

4.5 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

4. ACCOUNTING POLICIES (Continued)

4.5 Property, plant and equipment (Continued)

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.

4.6 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.

4. ACCOUNTING POLICIES (Continued)

4.6 Intangible assets (Continued)

(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) 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.

(v) 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

(vi) 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.

(vii) 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.

4. ACCOUNTING POLICIES (Continued)

4.6 Intangible assets (Continued)

(viii) 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

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.

4. ACCOUNTING POLICIES (Continued)

4.8 Impairment of non-financial assets (Continued)

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 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.

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.

4. ACCOUNTING POLICIES (Continued)

4.9 Financial Instruments (Continued)

(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.

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.

4. ACCOUNTING POLICIES (Continued)

4.9 Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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.

(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.

4. ACCOUNTING POLICIES (Continued)

4.9 Financial Instruments (Continued)

(vi) 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.

4.10 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.

4.11 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.

4.12 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.

4. ACCOUNTING POLICIES (Continued)

4.12 Income taxes (Continued)

(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.

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.

4.13 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.

4. ACCOUNTING POLICIES (Continued)

4.13 Employee benefits (Continued)

(ii) 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.

4.14 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 determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood an outflow with respect to any one item included in the same class of obligations may be small.

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.

4.15 Revenue recognition

Revenue from contracts with customers is recognized 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.

4. ACCOUNTING POLICIES (Continued)

4.15 Revenue recognition (Continued)

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized 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.

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.

4.16 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.

4. ACCOUNTING POLICIES (Continued)

4.16 Leases (Continued)

(i) As a lessee (Continued)

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.

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.

4. ACCOUNTING POLICIES (Continued)

4.16 Leases (Continued)

(i) As a lessee (Continued)

Lease liability (Continued)

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.

(ii) As a lessor

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.

4. ACCOUNTING POLICIES (Continued)

4.17 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.

(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.

4.18 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.

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

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 2023 was RMB264,878,000 (2022: RMB298,092,000).

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

(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.

(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 38(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.

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

(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 38(b).

For the year ended 31 December 2023, the Group recorded a reversal allowance for expected credit losses of RMB4,174,000, 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.

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 three 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 (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) For the year ended 31 December 2023:

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

	Infusion Set RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Consolidated RMB'000
Segment revenue from external customers	281,063	394,021	–	675,084
Segment results (Operating profit/(loss))	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	3,386	875	20,764
Finance cost	–	(40)	(114)	(154)
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	(4,361)	187	–	(4,174)

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

	Infusion Set RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Consolidated RMB'000
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				1,134,810
Total assets				5,152,049
Liabilities				
Segment liabilities	102,335	96,429	124,096	322,860
Unallocated liabilities				4,204
Total liabilities				327,064

6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

(ii) 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/(loss))	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)

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

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 2023				
Revenue from hospitals	**33,809**	**3,732**	**—**	**37,541**
Revenue from medical products distributors	**247,254**	**390,289**	**—**	**637,543**
Total	**281,063**	**394,021**	**—**	**675,084**
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
Timing of revenue recognition				
For the year ended 31 December 2023				
At a point in time	**281,063**	**394,021**	**—**	**675,084**
For the year ended 31 December 2022				
At a point in time	248,491	288,335	—	536,826

(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.

7. 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 (note)	(734)	(734)
Net foreign exchange gain	3,491	30,472
Processing income	4,209	—
Write-off other payables	1,978	—
Others	717	2,190
Other gains — net	48,896	59,613

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.

8. 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
	43,825	35,368
Finance costs		
Interest on other borrowings	—	(337)
Interest on lease liabilities	(154)	(127)
	(154)	(464)
Finance income — net	43,671	34,904

9. PROFIT BEFORE INCOME TAX

	2023 RMB'000	2022 RMB'000
Profit before taxation has been arrived at after charging/(crediting):		
Directors' emoluments (note 10)	**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
Total staff costs	**120,561**	98,050
Auditor's remuneration:		
— Audit services	**2,615**	1,980
— Other services	**533**	445
Bad debt written off	**—**	300
Write-off other receivables	**900**	—
Impairment loss of inventories	**197**	—
Reversal of impairment losses recognised in respect of trade receivables, net	**(4,174)**	(3,015)
(Reversal of)/provision for impairment losses recognised in respect of loan receivables	**(4,706)**	4,706
Depreciation of property, plant and equipment (note 14)	**66,919**	55,489
Depreciation of right-of-use assets (note 29)		
— Properties	**676**	688
— Leasehold land and land use rights	**600**	567
Amortisation of intangible assets (note 16)	**30,066**	21,842
Write-off of intangible assets (note 16)	**—**	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	**(34,605)**	(9,109)
	41,130	40,975

10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the six (2022: six) directors were as follows:

For the year ended 31 December 2023	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	—	1,062	—	—	—	1,062
Non-executive directors						
— Mr. JIANG Liwei	—	300	—	—	—	300
— Mr. LIN Junshan	—	300	—	—	—	300
Independent non-executive directors						
— Mr. CHEN Geng	—	181	—	—	—	181
— Mr. WANG Xiaogang	—	181	—	—	—	181
— Ms. WANG Fengli	—	181	—	—	—	181
	—	2,205	—	—	—	2,205

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 directors						
— 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	—	172	—	—	—	172
	—	2,127	—	—	—	2,127

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

During the years ended 31 December 2023 and 2022, 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 (2022: one) director whose emoluments are reflected in the analysis shown in above. The emoluments payable to the remaining four (2022: four) individuals during the year are as follows:

	2023 RMB'000	2022 RMB'000
Basic salaries and allowances	3,997	4,364
Social security costs	182	174
Housing fund	81	102
	4,260	4,640

The emoluments were within the following bands:

	2023 Number of individuals	2022 Number of individuals
Nil to HK$1,000,000	1	—
HK$1,000,001 — HK$1,500,000	3	4

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

	2023 Number of individuals	2022 Number of individuals
Nil to HK$1,000,000	1	—
HK$1,000,001 — HK$1,500,000	3	4

11. TAXATION

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

	2023 RMB'000	2022 RMB'000
Current income tax		
Current tax on profits for the year	**(28,224)**	(30,818)
Adjustment for under provision in prior periods	**(401)**	(1,029)
Deferred income tax (note 26)	**2,581**	2,967
Income tax expense	**(26,044)**	(28,880)

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 is entitled to the preferential tax rate for the year ended 31 December 2023.

11. TAXATION (Continued)

(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 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:

	2023 RMB'000	2022 RMB'000
Profit before taxation	**231,067**	157,747
Tax calculated at statutory tax rates applicable to profits in the respective countries	**57,766**	39,437
Tax effect of:		
Effect of different tax rate in foreign jurisdictions	**(993)**	549
Preferential income tax rates applicable to subsidiaries	**(30,331)**	(16,516)
Additional deductible allowance for research and development expenses (note (i))	**(2,774)**	(2,887)
Tax effect of expenses not deductible for tax purpose	**3,538**	11,827
Tax effect of income not taxable for tax purpose	**(13,344)**	(12,679)
Tax effect of withholding tax of dividend income	**2,604**	—
Tax effect of estimated tax losses not recognised	**9,177**	8,120
Adjustment for under provision in previous periods	**401**	1,029
Income tax expense for the year	**26,044**	28,880

(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 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.

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 2023.

	2023 RMB'000	2022 RMB'000
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
Basic earnings per share (RMB cents per share)	**9.78**	6.77

(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 RMB'000	2022 RMB'000
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)	**—**	13
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,565,632**	1,566,123
Diluted earnings per share (RMB cents per share)	**9.78**	6.77

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 2022							
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
Year ended 31 December 2023							
Opening net book amount	**537,218**	**20,004**	**14,102**	**195,126**	**2,467**	**162,310**	**931,227**
Additions	**104**	**1,675**	**2,566**	**3,383**	**30**	**39,548**	**47,306**
Disposals	**—**	**(439)**	**(287)**	**(3,978)**	**(38)**	**—**	**(4,742)**
Transfer from construction in progress	**6,570**	**1,160**	**108**	**50,248**	**—**	**(58,086)**	**—**
Depreciation	**(21,775)**	**(8,446)**	**(2,961)**	**(33,267)**	**(470)**	**—**	**(66,919)**
Closing net book amount	**522,117**	**13,954**	**13,528**	**211,512**	**1,989**	**143,772**	**906,872**
At 31 December 2023							
Cost	**643,809**	**35,282**	**25,615**	**378,514**	**7,358**	**143,772**	**1,234,350**
Accumulated depreciation and impairment	**(121,692)**	**(21,328)**	**(12,087)**	**(167,002)**	**(5,369)**	**—**	**(327,478)**
Net book amount	**522,117**	**13,954**	**13,528**	**211,512**	**1,989**	**143,772**	**906,872**

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

15. INVESTMENT PROPERTIES

	Total RMB'000
FAIR VALUE	
At 1 January 2022	298,342
Change in fair value	(250)
At 31 December 2022 and 1 January 2023	298,092
Addition	838
Change in fair value	(61)
Disposal of a subsidiary (note 35)	(33,991)
At 31 December 2023	**264,878**

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.

15. INVESTMENT PROPERTIES (Continued)

The following table shows the significant unobservable inputs used in comparison with the previous year:

	2023	2022
Occupancy rate	**13.5% to 50%**	50.0% to 90%
Rental growth rate	**2.3%**	3.0%
Discount rate	**5.5%**	6.0%

The fair value of the investment properties at 31 December 2022 and 2023 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.

	2023 RMB'000	2022 RMB'000
Discount rate increased by 1%	**(34,411)**	(41,292)
Expected occupancy rate decreased by 3%	**(10,317)**	(12,842)
Rental growth rate decreased by 0.5%	**(31,927)**	(30,462)

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 2022						
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
Written off	—	—	—	—	(11,400)	(11,400)
Amortisation	(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
Year ended 31 December 2023						
Opening net book amount	**84**	**2,608**	**299,738**	**90,688**	**699,330**	**1,092,448**
Additions	**—**	**—**	**—**	**—**	**34,605**	**34,605**
Amortisation	**(19)**	**(784)**	**(18,303)**	**(10,960)**	**—**	**(30,066)**
Closing net book amount	**65**	**1,824**	**281,435**	**79,728**	**733,935**	**1,096,987**
At 31 December 2023						
Cost	**962**	**11,755**	**347,697**	**103,944**	**733,935**	**1,198,293**
Accumulated amortisation	**(897)**	**(9,931)**	**(66,262)**	**(24,216)**	**—**	**(101,306)**
Net book amount	**65**	**1,824**	**281,435**	**79,728**	**733,935**	**1,096,987**

16. INTANGIBLE ASSETS (Continued)

Notes:

(i) At 31 December 2023, the capitalised development costs are related to cost incurred for Biological Dressing, Breast Tissue Patch, Oral Cavity Repair Membrane, Injection Granules — tissue matrix, Injection Granules — polylactic acid, Tissue Sponge, Non-compliant PTA Drug Balloon Catheters, Continuous Renal Replacement Therapy Machine (CRRT) and Hemodialysis Filtration Equipment H1, which were not yet available for use.

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 — tissue matrix, Injection Granules — polylactic acid and Non-compliant PTA Drug Balloon Catheters, which were not yet available for use.

(ii) During the year ended 31 December 2022, 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 31 December 2022 in relation to this development of approximately RMB11,400,000.

17. GOODWILL

	2023 RMB'000	2022 RMB'000
Carrying amount		
At beginning of year	**564,085**	160,754
Addition through the acquisition of subsidiaries (note 32)	**—**	403,331
At end of year	**564,085**	564,085

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

The management is in the opinion that the Infusion Set Business and Blood Purification Business have operating profit during the period. As at 31 December 2022 and 2023, 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	
	2023 RMB'000	2022 RMB'000
Infusion Set Business	**160,754**	160,754
Blood Purification Business	**323,540**	323,540
Regenerative Medical Biomaterials Business	**79,791**	79,791
	564,085	564,085

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. Based on management's calculation, the recoverable amount of the Infusion Set Business as at 31 December 2023 amounted to approximately RMB909 million (31 December 2022: RMB866 million), which was 16.2% (31 December 2022: 5.1%) higher than its carrying amount. Key assumptions used to determine the CGUs' value-in-use were as follows:

	Value assigned to key assumption		
	31 December 2023	31 December 2022	Approach to determining key assumption
Revenue	**8.0%–10.0%**	8.0%–10.0%	Forecasted revenue growth rates and gross profit margin were determined based on financial forecast on Infusion Set Business.
Gross profit margin	**59.5%**	62.1%	
Long-term growth rate	**2.0%**	2.0%	Estimated based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry in the PRC.
Discount rate	**14.2%**	13.8%	Reflect specific risks relating to the relevant segment and the country in which the Infusion Set Business operates.

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

Impact of possible changes in key assumptions

If the compound revenue growth rates used in the value-in-use calculation for Infusion Set Business had been 3.0% lower than management's estimates at 31 December 2023 (5.0%–7.0% instead of 8.0%–10.0%), the value-in-use Infusion Set Business would approximate its carrying amount.

If the gross margins used in the value-in-use calculation for Infusion Set Business had been 6.9% lower than management's estimates at 31 December 2023 (52.6% instead of 59.5%), the value-in-use of Infusion Set Business would approximate its carrying amount.

If the pre-tax discount rate applied to the cash flow projections of Infusion Set Business had been 2.2% higher than management's estimates (17.9% instead of 15.7%), the value-in-use of Infusion Set Business would approximate its carrying amount.

Management believes that any reasonably possible change in any of these assumption would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. As at 31 December 2023, management determines that there is no impairment on goodwill for the Infusion Set Business.

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. Based on management's calculation, the recoverable amount of the Blood Purification Business as at 31 December 2023 amounted to approximately RMB1,404 million (31 December 2022: RMB1,257 million), which was 11.9% (31 December 2022: 3.3%) higher than its carrying amount. Key assumptions used to determine the CGUs' value-in-use were as follows:

	Value assigned to key assumption		
	31 December 2023	31 December 2022	Approach to determining key assumption
Revenue	**5.0%–25.0%**	2.0%–30.8%	Forecasted revenue growth rates and gross profit margin were determined based on financial forecast on Blood Purification Business.
Gross profit margin	**49.4%**	46.0%	
Long-term growth rate	**2.0%**	2.0%	Estimated based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry in the PRC.
Discount rate	**12.1%**	14.3%	Reflect specific risks relating to the relevant segment and the country in which the Blood Purification Business operates.

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

Impact of possible changes in key assumptions

If the compound revenue growth rates used in the value-in-use calculation for Blood Purification Business had been 4.0% lower than management's estimates at 31 December 2023 (1.0%–21.0% instead of 5.0%–25.0%), the value-in-use Blood Purification Business would approximate its carrying amount.

If the gross margins used in the value-in-use calculation for Blood Purification Business had been 2.6% lower than management's estimates at 31 December 2023 (46.8% instead of 49.4%), the value-in-use of Blood Purification Business would approximate its carrying amount.

If the pre-tax discount rate applied to the cash flow projections of Blood Purification Business had been 1.3% higher than management's estimates (15.1% instead of 13.8%), the value-in-use of Blood Purification Business would approximate its carrying amount.

Management believes that any reasonably possible change in any of these assumption would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. As at 31 December 2023, management determines that there is no impairment on goodwill for the Blood Purification Business.

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. The Regenerative Medical Biomaterials Business had not put into production at 31 December 2023, and the management expected it might take one or two years to launch the new products on the market, followed by several years of significant growth. Accordingly, the forecast was estimated by reference to the product life cycles of medical products, instead of the presumed five-year period which is generally applied on the business at steady state. Management engaged an independent external valuer to assist in performing the impairment assessments. Based on management's calculation, the recoverable amount of the Regenerative Medical Biomaterials Business as at 31 December 2023 amounted to approximately RMB1,674 million (31 December 2022: RMB1,399 million), which was 64.8% (31 December 2022: 39%) higher than its carrying amount. Key assumptions used to determine the CGUs' value-in-use were as follows:

	Value assigned to key assumption		
	31 December 2023	31 December 2022	Approach to determining key assumption
Revenue Gross profit margin	**4.0%–127.0%** **74.4%–83.4%**	8.0%–170.0% 84.1%–90.0%	Forecasted revenue growth rates and gross profit margin were determined based on industry research and financial forecast on Oral Cavity Repair Membrane, Breast Patch and Hernia Patch.
Long-term growth rate	**1.0%**	1.0%	Estimated based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry in the PRC.
Discount rate	**13.7%**	15.0%	Reflect specific risks relating to the relevant segment and the country in which the Regenerative Medical Biomaterials Business operates.

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

Impact of possible changes in key assumptions

If the compound revenue growth rates used in the value-in-use calculation for Regenerative Medical Biomaterials Business had been 6.9% lower than management's estimates at 31 December 2023 (0%–120.1% instead of 4.0%–127.0%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

If the gross margins used in the value-in-use calculation for Regenerative Medical Biomaterials Business had been 6.2% lower than management's estimates at 31 December 2023 (68.2%–77.2% instead of 74.4%–83.4%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

If the pre-tax discount rate applied to the cash flow projections of Regenerative Medical Biomaterials Business had been 3.1% higher than management's estimates (18.4% instead of 15.3%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

17. GOODWILL (Continued)

Impairment assessment of Regenerative Medical Biomaterials Business (Continued)

Impact of possible changes in key assumptions (Continued)

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 2023, management determines that there is no impairment on goodwill for the Regenerative Medical Biomaterials Business.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current asset		
Unlisted investment fund (note i)	**19,824**	19,002
Listed equity securities (note ii)	**41,456**	71,327
	61,280	90,329

Notes:

(i) The underlying assets of the unlisted investment fund 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 2023 and 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 gain of approximately RMB822,000 (2022: fair value loss of approximately RMB998,000) reclassified from the fair value reserve to retained earning during the year ended 31 December 2023.

(ii) As at 31 December 2023 and 2022, the Group held 0.65% equity interest in Lepu Biopharma Co., Ltd.. The resulted in a fair value loss of approximately RMB37,730,000 (2022: fair value gain of RMB1,456,000) reclassified from fair value reserve to retained earnings during the year ended 31 December 2023.

These were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The fair value 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 2023 and 2022.

(iii) The detail of the valuation methodology on financial assets at fair value through other comprehensive income is disclosed in note 38.

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

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

	Unlisted investment fund RMB'000	Listed equity securities RMB'000
At 1 January 2022	10,000	—
Additions	10,000	69,871
Change in fair value through other comprehensive income	(998)	1,456
At 31 December 2022 and 1 January 2023	19,002	71,327
Change in fair value through other comprehensive income	822	(30,730)
Exchange reserve	—	859
At 31 December 2023	**19,824**	**41,456**

19. LOAN RECEIVABLES

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

19. LOAN RECEIVABLES (Continued)

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. 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 20 April 2023, the Group was regranted a loan advance with the principal of RMB180,000,000 at the rate of 5.3% 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 in 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.

20. INVENTORIES

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

21. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables (note i)	74,456	79,015
Bills receivable (note ii)	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 (note iii)	34,107	16,761
	180,421	166,929
Trade receivables — non-current	—	(6,900)
Trade and other receivables — current portion	180,421	160,029

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 RMB'000	2022 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
	74,456	79,015

The Group and the Company recognised impairment loss based on the accounting policy stated in note 4.9(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 41(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

	2023 RMB'000	2022 RMB'000
Wealth management products — non-principal protected	**4,900**	5,630

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

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**5,630**	127,001
Addition through the acquisition of subsidiaries (note 32)	**—**	7,330
Addition	**663,000**	17,400
Disposal	**(663,730)**	(146,101)
At end of year	**4,900**	5,630

23. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
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 (note 7)	**21,946**	21,211
Deferred government grant — current portion (note 25)	**1,121**	1,132
Other payables	**6,940**	7,921
	130,080	125,682

23. TRADE AND OTHER PAYABLES (Continued)

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 RMB'000	2022 RMB'000
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
	38,920	27,844

24. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Contract liabilities arising from sale contracts	7,766	12,462

Certain deposits the Group received from the sale of medical device for blood purification remain as contract liabilities until such time as the work completed to date outweighs it.

The movements in contract liabilities are as follow:

	2023 RMB'000	2022 RMB'000
Balance as at 1 January	12,462	—
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	(9,344)	(1,643)
Increase in contract liabilities as a result of billing in advance	4,648	11,831
Balance as at 31 December	7,766	12,462

25. DEFERRED GOVERNMENT GRANTS

	2023 RMB'000	2022 RMB'000
At beginning of year	**24,246**	16,647
Additions through acquisition of subsidiaries (note 32)	**—**	9,841
Addition	**800**	—
Amortisation	**(1,205)**	(2,242)
At end of year	**23,841**	24,246
Current portion	**1,121**	1,132
Non-current portion	**22,720**	23,114
	23,841	24,246

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	Others RMB'000	Total RMB'000
At 1 January 2022	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)
Disposal of a subsidiary (note 35)	—	—	—	—	(10,551)	—	—	(10,551)
(Charge)/credit to profit or loss for the year	(1,332)	(755)	(6)	4,754	94	147	(321)	2,581
At 31 December 2023	**3,258**	**159**	**2**	**(154,712)**	**2,746**	**4,126**	**—**	**(144,421)**

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:

	2023 RMB'000	2022 RMB'000
Non-current portion		
Deferred tax assets	**10,291**	23,015
Deferred tax liabilities	**(154,712)**	(159,466)
	(144,421)	(136,451)

27. SHARE CAPITAL

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

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

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 2022	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
Currency translation differences	—	(6,044)	—	—	—	—	(6,044)
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	(29,908)	(29,908)
Lapse of share option	—	—	—	(115)	—	—	(115)
At 31 December 2023	**63,964**	**24,780**	**330,900**	**—**	**2,576**	**(29,450)**	**392,770**

(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 properties, 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 2022	—	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**
Depreciation charge for the year	**(676)**	**(600)**	**(1,276)**
Balance at 31 December 2023	**962**	**25,171**	**26,133**

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 2022	—	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
Disposal of a subsidiary (note 35)	**—**	**(2,442)**	**(2,442)**
Interest expense	**154**	**—**	**154**
Lease payments	**(825)**	**—**	**(825)**
Balance at 31 December 2023	**1,128**	**—**	**1,128**

Future lease liabilities are payable as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
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 year and not later than five years	381	(12)	369
	4,463	(222)	4,241
At 31 December 2023			
Not later than one year	**833**	**(74)**	**759**
Later than one year and not later than two years	**382**	**(13)**	**369**
	1,215	**(87)**	**1,128**

29. LEASES (Continued)

(a) Leases as lessee (Continued)

(ii) Lease liabilities (Continued)

The present value of future lease payments are analysed as:

	2023 RMB'000	2022 RMB'000
Current liabilities	759	3,113
Non-Current liabilities	369	1,128
	1,128	4,241

(iii) Amounts recognised in profit or loss

	2023 RMB'000	2022 RMB'000
Leases under HKFRS 16		
Interest on lease liabilities	154	127
Expenses relating to short-term leases	369	318
	523	445

(iv) Amounts recognised in statement of cash flows

	2023 RMB'000	2022 RMB'000
Total cash outflow for leases	(825)	(744)

29. LEASES (Continued)

(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 2023 was approximately RMB14,360,000 (2022: RMB14,612,000).

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

	2023 RMB'000	2022 RMB'000
Within one year	13,494	14,264
One to two years	13,986	—
	27,480	14,264

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:

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

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:

	2023	2022
Outstanding at 1 January	**118,471**	118,471
Forfeited during the year	**(118,471)**	—
Exercised during the year	**—**	—
Outstanding at 31 December	**—**	118,471

The exercise price of options outstanding at the end of the 2022 was RMB0.626 and their weighted average remaining contractual life was 1 years. All options outstanding at the end of the year ended 31 December 2022 were exercisable.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits. During the year ended 31 December 2023, 118,471 (2022: Nil) share options lapsed as they were not exercised at the expire date, the amount of approximately RMB115,000 (2021: RMB nil) was transferred from share option reserve to retained profits accordingly.

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)

Since the acquisition, the Sichuan Ruijian Medical contributed revenue of RMB288,335,000 and net profit after tax of approximately RMB64,602,000 to the Group for the year ended 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 (Continued)

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

Details of the acquisition are summarised as follows:

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

	RMB’000
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)

Since the acquisition, the Beijing Ruijian Biological contributed nil revenue and net loss after income tax of approximately RMB21,120,000 to the Group for the year ended 31 December 2022.

(c) Had all the combination taken place at the beginning of the year ended 31 December 2022, the revenue and the profit after income tax of the Group for the period would have been approximately RMB583,638,000 and RMB131,203,000, respectively.

33. NON-CONTROLLING INTERESTS

As at and for the year ended 31 December 2023, the non-controlling interest ("NCI") was attributable to 51.51% (2022: 49%) of Sichuan Ruijian Medical and 41.8% (2022: 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:

	2023 RMB'000	2022 RMB'000
Revenue	**394,021**	288,335
Profit for the year	**125,586**	64,602
Total comprehensive income for the year	**125,586**	64,602
Profit and total comprehensive income allocated to NCI	**61,537**	31,654
Cash flows generated from operating activities	**132,077**	139,142
Cash flows used in investing activities	**(44,709)**	(17,709)
Cash flows generated from/(used in) financing activities	**37,580**	(534)
Net cash inflows	**124,948**	120,899
As at 31 December		
Current assets	**465,698**	311,995
Non-current assets	**545,383**	544,447
Current liabilities	**(57,048)**	(62,389)
Non-current liabilities	**(39,382)**	(42,859)
Net assets	**914,651**	751,194
Accumulated non-controlling interest	**466,094**	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:

	2023 RMB'000	2022 RMB'000
Revenue	—	—
Loss for the year	(23,199)	(21,120)
Total comprehensive expense for the year	(23,199)	(21,120)
Loss and total comprehensive expense allocated to NCI	(9,698)	(8,828)
Cash flows used in operating activities	(11,128)	(46,398)
Cash flows used in investing activities	(21,596)	(6,066)
Cash flows used in financing activities	(517)	(35,346)
Net cash outflows	(33,241)	(87,810)
As at 31 December		
Current assets	88,115	123,654
Non-current assets	873,477	862,304
Current liabilities	(19,838)	(19,492)
Non-current liabilities	(122,258)	(123,770)
Net assets	819,496	842,696
Accumulated non-controlling interest	314,550	324,247

34. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY WITHOUT LOSS OF CONTROL

On 22 December 2023, an indirectly wholly owned subsidiary of the Company, Medcore Investment entered into an agreement ("the Agreement") with a third party investor (the "Investor") in relation to the capital contributions (the "Capital Contributions") to a subsidiary, Sichuan Ruijian Medical. Total considerations of the Capital Contributions from the Investor was agreed at RMB140,000,000 in cash and were injected. Details please refer to the Company's announcement dated 22 December 2023.

On the same day, Medcore Investment and one of the original minority shareholders ("the minority shareholder"), entered into the Acting-In-Concert Agreement pursuant to which Medcore Investment and the minority shareholder agreed to exercise their voting rights unanimously in respect of their respective equity interest in Sichuan Ruijian Medical at all shareholders' meetings of Sichuan Ruijian Medical. Medcore Investment and the minority shareholder also agreed that, if they are unable to reach a unanimous consent in relation to any matters to be presented at the shareholders' meetings of Sichuan Ruijian Medical, the minority shareholder shall exercise its voting rights at the shareholders' meetings of Sichuan Ruijian Medical in accordance with the decision made by Medcore Investment. The management of the Company are of the view that the Group still has a sufficiently dominant voting interest to direct the relevant activities of Sichuan Ruijian Medical through Medcore Investment.

Upon completion of the Capital Contributions, Sichuan Ruijian Medical will remain as a non-wholly owned subsidiary of the Company, and the results, assets and liabilities of the Sichuan Ruijian Medical will continue to be consolidated into the financial statements of the Group.

After the Capital Contributions, the equity interest of the Group has been decreased from 51% to 48.49%, which was considered as a deemed disposal of a subsidiary. RMB53,483,000 has been reallocated from retained earnings to non-controlling interest during the year ended 31 December 2023. The effect of changes in the ownership interest of Sichuan Ruijian Medical on the equity attributable to owners of the Company during the year ended 31 December 2023 is summarised as follows:

	2023 RMB'000
Carrying amount of non-controlling interests disposed of	(86,517)
Consideration received from non-controlling interests	140,000
Gain on deemed disposal credit to equity	53,483

35. DISPOSAL OF A SUBSIDIARY

On 12 October 2023, an indirectly wholly owned subsidiary of the Company, Beijing Fert Technology Co., Ltd. entered into certain sale and purchase agreements with certain independent third parties, pursuant to which the Group agreed to dispose of its 100% equity interest in Shandong Fert Technology Co., Ltd. ("the Shandong Fert") with an aggregate cash consideration of RMB36,000,000. The disposal was completed on 4 November 2023.

35. DISPOSAL OF A SUBSIDIARY (Continued)

The breakdown of assets/(liabilities) of the Shandong Fert as at, 4 November 2023, the completion date of disposal, and the consideration of disposal is as follow:

	RMB'000
Investment properties	33,991
Deferred tax assets	10,551
Bank balances and cash	12
Lease liability	(2,442)
Other payable	(12)
Total identifiable net assets	42,100
Loss on disposal of a subsidiary	(6,100)
Total consideration satisfied by:	
Cash	36,000

Cashflow movement in relation to acquisition during the year ended 31 December 2023:

	RMB'000
Cash consideration received	36,000
Cash at bank disposed of	(12)
Net cash inflow arising on disposal of a subsidiary	35,988

36. RELATED PARTY DISCLOSURES

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

	2023 RMB'000	2022 RMB'000
Related party transactions		
Sales of medical devices to related parties	25,058	16,145
Medical products processing services fee income received	1,523	107
Purchase of medical devices molds and components from related parties	(2,793)	(1,039)

36. 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 were as follows:

	2023 RMB'000	2022 RMB'000
Short-term benefits	5,060	5,375
Post-employment benefits	263	276
	5,323	5,651

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.

37. NOTES SUPPORTING CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	2023 RMB'000	2022 RMB'000
Cash available on demand	939,497	844,410
Short-term deposits (note)	650,159	537,507
	1,589,656	1,381,917

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 1.6% to 5.8% (2022: from 2.1%to 4.8%) 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:

	2023 RMB'000	2022 RMB'000
Denominated in USD	303,632	58,285
Denominated in HK$	3,571	3,382

37. NOTES SUPPORTING CASH FLOW STATEMENT (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	Other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance at 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			
Addition 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 and 1 January 2023	—	4,241	4,241
Changes from financing cash flows			
Payment of lease liabilities	—	(671)	(671)
Interest paid	—	(154)	(154)
Total changes from financing cash flows	—	(825)	(825)
Other changes			
Disposal of a subsidiary (note 35)	—	(2,442)	(2,442)
Interest expense	—	154	154
Total liability-related other changes	—	(2,288)	(2,288)
At 31 December 2023	—	1,128	1,128

38. 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:

	2023 RMB'000	2022 RMB'000
Financial assets		
— at amortised cost	**2,037,696**	1,777,554
— at fair value through profit or loss	**4,900**	5,630
— at fair value through other comprehensive income	**61,280**	90,329
	2,103,876	1,873,513
Financial liabilities		
Financial liabilities at amortised cost	**109,523**	98,834

(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.

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

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

Description	As at 31 December 2023 RMB'000 (Audited)	As at 31 December 2022 RMB'000 (Audited)	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Financial assets at fair value through profit or loss					
— Wealth management product	**4,900**	5,630	Level 3	Quoted prices from financial institutions	Expected rate of return ranging from 2.06%–2.59% (31 December 2022: 1.22% –2.98%)
Financial assets at fair value through other comprehensive income					
— Unlisted investment fund	**19,824**	19,002	Level 3	Valuations making reference to market capitalisations of comparable companies engaged in the same industry	Selection of comparable companies and weighting of the selected companies used in valuation
— Listed equity securities	**41,456**	71,327	Level 1	Quoted market prices	N/A

For the financial assets at fair value through profit or loss, it consisted of wealth management products as detailed in note 22.

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

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

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

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

39. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2023 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 2023	2022	Principal activities
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)	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) (note (i))	PRC/Limited liability company	10 April 2014	RMB10,000,000	–%	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	RMB7,000,000	100%	100%	Infusion Set Business
Beijing Zhong Jie Tian Gong Medtech Co., Ltd. (北京中傑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) (note (ii))	PRC/Limited liability company	8 January 2013	RMB10,000,000	–%	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	10 August 2000	RMB154,300,000	58.2%	58.2%	Regenerative Medical Biomaterial Business

39. 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 2023	2022	Principal activities
Sichuan Ruijian Medical Technology Co., Ltd. (四川睿健醫療科技股份有限公司) (note (iii))	PRC/Limited liability company	6 August 2013	RMB306,930,000 (2022: RMB291,800,000)	48.49%	51%	Blood Purification business
成都歐賽醫療器械有限公司 (note (iv))	PRC/Limited liability company	19 January 2005	RMB20,000,000	48.49%	51%	Blood Purification business
成都睿爾科維醫療器械有限責任公司 (note (iv))	PRC/Limited liability company	6 August 2019	RMB50,000,000	48.49%	51%	Blood Purification business
北京睿爾康健康管理有限公司 (note (v))	PRC/Limited liability company	14 January 2016	RMB50,000,000	33.94%	35.7%	Blood Purification business
北京睿爾健健康管理有限公司 (note (v))	PRC/Limited liability company	20 January 2016	RMB20,000,000	33.94%	35.7%	Blood Purification business
成都慕道爾精密模塑有限公司 (note (vi))	PRC/Limited liability company	3 September 2018	RMB10,000,000	48.49%	51%	Blood Purification business
廣州市賽諾康醫療器械有限公司 (note (vii))	PRC/Limited liability company	17 March 2021	RMB30,000,000	45.94%	48.3%	Blood Purification business
成都睿爾凱健康管理有限公司 (note (viii))	PRC/Limited liability company	2 December 2016	RMB15,000,000	33.94%	35.7%	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.

Notes:

(i) The subsidiary dissolved during the year ended 31 December 2023.

(ii) The subsidiary disposed of during the year ended 31 December 2023.

(iii) Medcore Investment, a wholly-owned subsidiary of the Company, has 48.49% equity interest in Sichuan Ruijian Medical. Although the Group has effective equity interest in Sichuan Ruijian Medical of 48.49%, Medcore Investment had an agreement with the Original Minority Shareholders ensures that their voting rights are exercised in conjunction with Medcore, granting Medcore Investment over 50% of the voting rights on the board.

(iv) Sichuan Ruijian Medical, a partly-owned subsidiary of the Company, has 100% equity interest in 成都歐賽醫療器械有限公司 and 成都睿爾科維醫療器械有限責任公司.

(v) Sichuan Ruijian Medical, a partly-owned subsidiary of the Company, has 70% equity interest in 北京睿爾康健康管理有限公司 and 北京睿尔健健康管理有限公司.

(vi) 成都歐賽醫療器械有限公司, a partly-owned subsidiary of the Company, has 100% equity interest in 成都慕道爾精密模塑有限公司.

(vii) 成都睿爾科維醫療器械有限責任公司, a partly-owned subsidiary of the Company, has 94.75% equity interest in 廣州市賽諾康醫療器械有限公司.

(viii) 北京睿爾康健康管理有限公司, a partly-owned subsidiary of the Company, has 70% equity interest in 成都睿爾凱健康管理有限公司.

40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Investments in and loans to subsidiaries		**419,969**	419,969
Financial assets at fair value through other comprehensives		**41,456**	71,327
Total non-current assets		**461,425**	491,296
Current assets			
Amounts due from subsidiaries		**2,440,313**	2,373,015
Other receivables		**27,922**	29,194
Cash and cash equivalents		**223,141**	298,963
Total current assets		**2,691,376**	2,701,172
Total ASSETS		**3,152,801**	3,192,468
Current liabilities			
Amounts due to subsidiaries		**266,031**	264,031
Trade and other payables		**8,658**	8,586
Total current liabilities		**274,689**	272,617
NET ASSETS		**2,878,112**	2,919,851
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**962**	962
Share premium		**1,489,876**	1,489,876
Other reserves		**291,641**	307,034
Retained earnings		**1,095,633**	1,121,979
TOTAL EQUITY		**2,878,112**	2,919,851

The statement of financial position of the Company was approved by the Board of Director on 28 March 2024 and was signed on its behalf by:

Yue'e Zhang
DIRECTOR

LIN Junshan
DIRECTOR

40. 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 2022	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**	**2,918,889**
Loss and total comprehensive expense for the year	**—**	**—**	**45,136**	**45,136**
Change in fair value of financial assets at fair value through other comprehensive income	**—**	**(30,730)**	**—**	**(30,730)**
Buy back and cancellation of shares	**—**	**—**	**—**	**—**
Currency translation differences	**—**	**15,452**	**—**	**15,452**
Lapse of share option	**—**	**(115)**	**115**	**—**
2023 interim dividend paid	**—**	**—**	**(71,597)**	**(71,597)**
At 31 December 2023	**1,489,876**	**291,641**	**1,095,633**	**2,877,150**

41. 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 2023, if HK$ and US$ had strengthened/weakened by 3% against RMB (2022: 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 RMB6,912,000 (2022: RMB1,387,000) 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:

	2023 RMB'000	2022 RMB'000
Cash and cash equivalents — denominated in		
RMB	**1,282,453**	1,320,250
HK$	**3,571**	3,382
US$	**303,632**	58,285
Total	**1,589,656**	1,381,917

(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.

41. 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:

2023	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	**6.61**	**2.09**	**100**	**52.32**
Gross carrying amount (RMB'000)	**33,610**	**28,295**	**2,063**	**32,217**
Loss allowance (RMB'000)	**2,221**	**590**	**2,063**	**16,855**

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

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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

Trade receivables (Continued)

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

	2023 RMB'000	2022 RMB'000
Balance at 1 January	**25,903**	32,405
Write-off	**–**	(3,530)
Additional impairment losses thought acquisition of subsidiaries	**–**	43
Reversal of impairment losses recognised during the year	**(4,174)**	(3,015)
Balance at 31 December	**21,729**	25,903

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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

The Group	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
2023					
Non-derivatives:					
Trade and other payables	**108,395**	**108,395**	**108,395**	**—**	**—**
Lease liabilities	**1,128**	**1,215**	**833**	**382**	**—**
	109,523	**109,610**	**109,228**	**382**	**—**
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

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 2023 and 2022, the gearing ratio was zero.

PW MEDTECH GROUP LIMITED

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