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PW MEDTECH GROUP LIMITED

普 华 和 顺 集 团 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2015 amounted to approximately RMB633.9 million, representing an increase of 4.2% from approximately RMB608.1 million recorded in 2014.
- Gross profit for the year ended December 31, 2015 amounted to approximately RMB476.0 million, representing an increase of 7.5% from approximately RMB442.9 million recorded in 2014.
- Profit attributable to owners of the Company for the year ended December 31, 2015 amounted to approximately RMB208.6 million, representing an increase of 18.1% from approximately RMB176.6 million recorded in 2014.
- Basic earnings per share and diluted earnings per share in 2015 were RMB12.45 cents (2014: RMB10.57 cents) and RMB12.31 cents (2014: RMB10.30 cents), respectively, representing an increase of 17.8% and 19.5% from 2014, respectively.

BUSINESS AND MARKET REVIEW FOR YEAR 2015

For the year ended December 31, 2015, in face of increasing downward pressure, the economy of the People's Republic of China (the “**PRC**” or “**China**”) decelerated to a GDP growth rate of 6.9%. However, with the growing aging population, increasing residents' awareness of public health services and the Chinese government's accelerating optimization and upgrade of the medical device industry, there is potential for demand of quality medical devices and services and opportunities for industry growth. In 2015, the Central Committee of the Communist Party of China and the PRC State Council promulgated several policies including Made in China 2025 (中國製造2025), the Proposal on Formulating the Thirteenth Five-year Plan on National Economic and Social Development (關於制定國民經濟和社會發展第十三個五年規劃的建議) and Several Opinions on Deepening Reform of Systems and Mechanisms and Accelerating the Implementation of the National Strategy on Innovation-Driven Development (關於深化體制機制改革加快實施創新驅動發展戰略的若干意見). These policies have

made development of high-end medical devices into the strategic planning of building a strong manufacturing country, proposed to gather social resources under the government's guidance, and promoted rapid development of 10 advantageous and strategic industries including biomedical and high-performance medical devices, which favor the improvement of the entire medical device business environment, and bring tremendous encouragement to domestic medical device manufacturers. Meanwhile, the deepening medical and health system reforms, the emphasis over the efficiency of medical insurance and the uncertainties of medical device tendering policy among provinces and cities have a profound impact on the industry. With these factors, China medical device industry is experiencing a development with both opportunities and challenges.

PW Medtech Group Limited (the “**Company**” and, together with its subsidiaries, collectively the “**Group**”) is a leading medical device company with focus on fast-growing and high-margin segments of China's medical device industry. As one of the leading domestic companies in the (i) regenerative medical biomaterial products (the “**Regenerative Medical Biomaterial Business**”), (ii) advanced infusion set products (the “**Infusion Set Business**”) and (iii) orthopedic implant products (the “**Orthopedic Implant Business**”) in China, the Company is well aware of the opportunities and challenges presented by its own competitive strengths and distinctive characteristics. In 2015, the Group continued further expanding its product portfolio and production capacity, enhancing its innovation and research and development (“**R&D**”) capabilities, and extending distribution networks, so as to reinforce its market leading positions and cope with the challenges.

In 2015, the Group's revenue, profit before tax and profit attributable to the owners of the Company were RMB633.9 million, RMB253.3 million and RMB208.6 million, respectively, representing an increase of 4.2%, 19.9% and 18.1% over 2014, respectively. The Group recorded a gross profit of RMB476.0 million during the year ended December 31, 2015, representing an increase of 7.5% over 2014. The overall gross profit margin was 75.1% (2014: 72.8%).

During the year ended December 31, 2015, the Regenerative Medical Biomaterial Business, the Infusion Set Business and the Orthopedic Implant Business contributed approximately 33.1%, 47.5% and 19.4% of the Group's revenue, respectively.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

In order to fully seize the opportunities in medical device markets, the Group will continue to broaden its product portfolio by strengthening its R&D efforts and seeking opportunities of expansion into new businesses through merger and acquisition.

For Regenerative Medical Biomaterial Business, as a top player in the field of artificial dura mater in China, which is a key regenerative medical biomaterial product line, the Group has committed to increasing R&D investment, improving innovation capability, promoting industrialization and technological enhancement. In 2015, the Group successfully launched the anti-adhesion membrane for tendon and ligament, which has high market potential in the field of hand surgery, especially for trauma surgeries and sport injury treatments. The clinical trials of the oral cavity repair membrane and the second generation of artificial dura mater have been making noteworthy progress during the year ended December 31, 2015 and are both expected to be completed during the year of 2016. It is expected that the oral cavity repair membrane will expand the application of the Group's regenerative medical biomaterial products into new areas of oral and maxillofacial surgery. The second generation of artificial dura mater is expected to bring more benefits to the patients and meanwhile further reinforce our leadership in the fields of craniotomy operations and neurosurgery. The development of a number of new regenerative biomaterial products for different new areas, such as ophthalmology, oral surgery and orthopedic surgery, also had positive progress in 2015. We expect to start the clinical trials for the development of some of these new products in 2016. In addition, we also started the distribution of state-of-the-art interventional neurosurgery products in the later half of 2015 to provide better services and a total solution to the physicians and patients.

With regard to the Infusion Set Business, the Group has been developing a series of new products so as to provide safer and more accountable devices for infusion therapy and further strengthen our leading position in the market of advanced infusion medical devices. On one hand, we are working on adding a series of new features and functions to our existing comprehensive non-PVC (polyvinyl chloride, a type of plastic material)-based infusion sets and precision filter infusion sets to enhance safety as well as nurses' and patients' usage experiences. On the other hand, we have also been accelerating the registration and launch of other brand new products other than infusion sets, for example, the disposable intravenous cannula (留置針), so as to provide a more comprehensive product portfolio.

The Orthopedic Implant Business has made progresses with the Group's continued research on perfecting the three main product categories: trauma products, spine products and joint products. The Group continues to work on both the initial introduction of brand new products and the improvement of existing products. For trauma implants, we continue to further improve the bridge-link combined fixation system, of which the initial generation products were commercially launched in 2012. To satisfy varied patient demands for the spine, hip and knee implants, the Group also continues to develop advanced materials and devise new products, for example, the trabecular metal, a product used for the treatment of osteonecrosis of femoral head.

Emphasis on Innovation and R&D

As a leader in the development of innovative products, the Group currently possesses an experienced R&D team comprising approximately 100 members, which cooperates closely with surgeons, hospitals (especially Class III hospitals), first class university research centers and other research institutions. As at December 31, 2015, the Group has obtained 109 patents, including 13 in the area of regenerative medical biomaterial products, 46 for advanced infusion set products and 50 for orthopedic implant products. Further, the Group has 39 ongoing applications for new patents. The Group will continue to invest in product innovation and R&D to maintain and reinforce its leading position in the industry.

Expansion of Distribution Network

The Group currently has three experienced and dedicated sales and marketing teams to support and consolidate nationwide distribution networks and strengthen product promotion for its three business segments. Approximately 50% of our sales and marketing staff have medical training background, which helps them to communicate with doctors and nurses in a succinct and effective manner. The Group's key salespersons in each business segment have an average of 10 years' experience in their respective areas.

Certain restructuring measures have been implemented for the sales team among different business lines since 2014 so as to improve overall sales force efficiency.

Strategic Acquisitions

Despite the challenges caused by valuation inflation in the medical device industry in mainland China, the Group continues to seek fast-growing, high-margin and high-potential opportunities within or outside our current business segments. Meanwhile, the Group is seeking possible targets, such as opportunities that lie in overseas intellectual properties, for consideration of acquisition.

The board of directors (the “**Board**”) of the Company is pleased to announce the audited consolidated final results of the Group for the year ended December 31, 2015, together with the comparative figures for the year ended December 31, 2014, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended December 31,	
		2015	2014
	Notes	RMB'000	RMB'000
Revenue	3	633,874	608,059
Cost of sales	4	<u>(157,889)</u>	<u>(165,170)</u>
Gross profit		475,985	442,889
Selling expenses	4	(100,500)	(94,224)
Administrative expenses	4	(101,335)	(108,037)
Research and development expenses	4	(35,968)	(35,181)
Other gains — net	6	<u>9,769</u>	<u>8,310</u>
Operating profit		247,951	213,757
Finance income	7	6,281	22,228
Finance costs	7	<u>(939)</u>	<u>(24,663)</u>
Finance income/(costs) — net	7	5,342	(2,435)
Profit before income tax		253,293	211,322
Income tax expenses	8	<u>(44,711)</u>	<u>(34,692)</u>
Profit for the year		<u>208,582</u>	<u>176,630</u>
Profit attributable to:			
Owners of the Company		208,582	176,630
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>208,582</u>	<u>176,630</u>
Earnings per share attributable to the owners of the Company for the year (expressed in RMB cents per share)			
— Basic	9	<u>12.45</u>	<u>10.57</u>
— Diluted	9	<u>12.31</u>	<u>10.30</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	208,582	176,630
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Change in value of available-for-sale financial assets	—	774
Disposal of available-for-sale financial assets	—	(774)
Currency translation differences	<u>1,232</u>	<u>103</u>
Other comprehensive income for the year, net of tax	<u>1,232</u>	<u>103</u>
Total comprehensive income for the year	<u>209,814</u>	<u>176,733</u>
Attributable to:		
— Owners of the Company	209,814	176,733
— Non-controlling interests	<u>—</u>	<u>—</u>
Total comprehensive income for the year	<u>209,814</u>	<u>176,733</u>

CONSOLIDATED BALANCE SHEET

		As at December 31,	
		2015	2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Land use rights	11	64,110	64,662
Property, plant and equipment	12	659,328	389,580
Intangible assets	13	967,798	994,894
Deferred income tax assets		10,179	14,777
Long-term prepayments	14	3,980	32,536
Trade receivables	16	24,071	—
		<u>1,729,466</u>	<u>1,496,449</u>
Current assets			
Inventories	15	123,983	101,121
Trade and other receivables	16	357,603	371,151
Restricted cash	17	—	260,000
Term deposits	18	40,000	—
Cash and cash equivalents	19	288,224	153,816
		<u>809,810</u>	<u>886,088</u>
Total assets		<u><u>2,539,276</u></u>	<u><u>2,382,537</u></u>
Equity			
Equity attributable to owners of the Company			
Share capital	20	1,034	1,036
Share premium	20	1,666,821	1,674,404
Other reserves		82,008	95,666
Retained earnings		547,635	339,053
		<u>2,297,498</u>	<u>2,110,159</u>
Non-controlling interests		<u>1,167</u>	<u>1,167</u>
Total equity		<u><u>2,298,665</u></u>	<u><u>2,111,326</u></u>

		As at December 31,	
		2015	2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		60,855	65,316
Deferred income	23	<u>6,169</u>	<u>7,282</u>
		<u>67,024</u>	<u>72,598</u>
Current liabilities			
Trade and other payables	21	170,266	114,318
Current income tax liabilities		3,321	9,295
Borrowings	22	<u>—</u>	<u>75,000</u>
		<u>173,587</u>	<u>198,613</u>
Total liabilities		<u>240,611</u>	<u>271,211</u>
Total equity and liabilities		<u>2,539,276</u>	<u>2,382,537</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non-	
	Share	Share	Other	Retained	Total	controlling	Total equity
	capital <i>RMB'000</i>	premium <i>RMB'000</i>	reserves <i>RMB'000</i>	earnings <i>RMB'000</i>	<i>RMB'000</i>	interests <i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2014	<u>1,026</u>	<u>1,647,840</u>	<u>87,407</u>	<u>162,423</u>	<u>1,898,696</u>	<u>—</u>	<u>1,898,696</u>
Comprehensive income							
Profit for the year	—	—	—	176,630	176,630	—	176,630
Other comprehensive income							
Currency translation differences	—	—	103	—	103	—	103
Change in value of available-for-sale financial assets	—	—	774	—	774	—	774
Disposal of available-for-sale financial assets	<u>—</u>	<u>—</u>	<u>(774)</u>	<u>—</u>	<u>(774)</u>	<u>—</u>	<u>(774)</u>
Total other comprehensive income, net of tax	<u>—</u>	<u>—</u>	<u>103</u>	<u>—</u>	<u>103</u>	<u>—</u>	<u>103</u>
Total comprehensive income	<u>—</u>	<u>—</u>	<u>103</u>	<u>176,630</u>	<u>176,733</u>	<u>—</u>	<u>176,733</u>
Proceeds from employee share options exercised	10	10,582	—	—	10,592	—	10,592
Transfer to share premium upon exercise of share options	—	15,982	(15,982)	—	—	—	—
Share option reserve	<u>—</u>	<u>—</u>	<u>24,138</u>	<u>—</u>	<u>24,138</u>	<u>—</u>	<u>24,138</u>
Non-controlling interests arising on business combination	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,167</u>	<u>1,167</u>
Total transactions with owners in their capacity as owners	<u>10</u>	<u>26,564</u>	<u>8,156</u>	<u>—</u>	<u>34,730</u>	<u>1,167</u>	<u>35,897</u>
Balance at December 31, 2014	<u><u>1,036</u></u>	<u><u>1,674,404</u></u>	<u><u>95,666</u></u>	<u><u>339,053</u></u>	<u><u>2,110,159</u></u>	<u><u>1,167</u></u>	<u><u>2,111,326</u></u>

	Attributable to owners of the Company					Non-	
	Share	Share	Other	Retained	Total	controlling	Total
	capital	premium	reserves	earnings		interests	equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2015	<u>1,036</u>	<u>1,674,404</u>	<u>95,666</u>	<u>339,053</u>	<u>2,110,159</u>	<u>1,167</u>	<u>2,111,326</u>
Comprehensive income							
Profit for the year	—	—	—	208,582	208,582	—	208,582
Other comprehensive income							
Currency translation differences	<u>—</u>	<u>—</u>	<u>1,232</u>	<u>—</u>	<u>1,232</u>	<u>—</u>	<u>1,232</u>
Total other comprehensive income, net of tax	<u>—</u>	<u>—</u>	<u>1,232</u>	<u>—</u>	<u>1,232</u>	<u>—</u>	<u>1,232</u>
Total comprehensive income	<u>—</u>	<u>—</u>	<u>1,232</u>	<u>208,582</u>	<u>209,814</u>	<u>—</u>	<u>209,814</u>
Proceeds from employee share options exercised	8	8,656	—	—	8,664	—	8,664
Share repurchases	(10)	(29,671)	—	—	(29,681)	—	(29,681)
Transfer to share premium upon exercise of share options	—	13,432	(13,432)	—	—	—	—
Share option reserve	<u>—</u>	<u>—</u>	<u>(1,458)</u>	<u>—</u>	<u>(1,458)</u>	<u>—</u>	<u>(1,458)</u>
Total transactions with owners in their capacity as owners	<u>(2)</u>	<u>(7,583)</u>	<u>(14,890)</u>	<u>—</u>	<u>(22,475)</u>	<u>—</u>	<u>(22,475)</u>
Balance at December 31, 2015	<u><u>1,034</u></u>	<u><u>1,666,821</u></u>	<u><u>82,008</u></u>	<u><u>547,635</u></u>	<u><u>2,297,498</u></u>	<u><u>1,167</u></u>	<u><u>2,298,665</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,	
		2015	2014
	Notes	RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	24(a)	311,777	138,084
Interest paid		(1,254)	(15,744)
Income tax paid		<u>(50,548)</u>	<u>(36,240)</u>
Net cash generated from operating activities		<u>259,975</u>	<u>86,100</u>
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		—	(798,599)
Disposal of subsidiaries	24(c)	1,000	3,000
Payments for property, plant and equipment		(22,671)	(37,209)
Payments for construction in progress		(243,183)	(142,109)
Purchases of land use rights		(804)	(4,568)
Purchases of intangible assets		(90)	(1,161)
Purchases of available-for-sale financial assets		(280,000)	—
Proceeds from disposal of available-for-sale financial assets		280,422	127,311
Proceeds from disposal of property, plant and equipment	24(b)	6,404	827
Interest received		6,281	—
Net decrease/(increase) in restricted cash		260,000	(223,000)
Net increase in term deposits		(40,000)	—
Government grants relating to assets received		<u>—</u>	<u>5,400</u>
Net cash used in investing activities		<u>(32,641)</u>	<u>(1,070,108)</u>
Cash flows from financing activities			
Share repurchases		(29,681)	—
Proceeds from employee share options exercised		8,664	10,592
Proceeds from borrowings		190,000	240,000
Repayment of borrowings		<u>(265,000)</u>	<u>(258,000)</u>
Net cash used in financing activities		<u>(96,017)</u>	<u>(7,408)</u>
Net increase/(decrease) in cash and cash equivalents		131,317	(991,416)
Cash and cash equivalents at beginning of the year		153,816	1,145,641
Exchange gains/(losses) on cash and cash equivalents		<u>3,091</u>	<u>(409)</u>
Cash and cash equivalents at end of the year		<u>288,224</u>	<u>153,816</u>

NOTES TO FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the development, manufacturing and sale of (i) regenerative medical biomaterial products (the “**Regenerative Medical Biomaterial Business**”); (ii) advanced infusion set products (the “**Infusion Set Business**”); and (iii) orthopedic implants products (the “**Orthopedic Implant Business**”) in the People’s Republic of China (the “**PRC**” or “**China**”).

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

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets, which are carried at fair value.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after January 1, 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans.

Amendments from annual improvements to HKFRSs — 2010–2012 Cycle, on HKFRS 8, ‘Operating segments’, HKAS 16, ‘Property, plant and equipment’ and HKAS 38, ‘Intangible assets’ and HKAS 24, ‘Related party disclosures’.

Amendments from annual improvements to HKFRSs — 2011–2013 Cycle, on HKFRS 3, ‘Business combinations’, HKFRS 13, ‘Fair value measurement’.

The directors of the Company anticipate that the adoption of the new and revised HKFRSs will have no material impact on the Group’s operating results and financial position.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following:

HKFRS 9, 'Financial instruments'

HKFRS 15, 'Revenue from contracts with customers'

3 SEGMENT INFORMATION

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

The executive directors consider the business from a product perspective, and determined that the Group has the following operating segments:

- Regenerative Medical Biomaterial Business — manufacturing and sale of regenerative medical biomaterial products;
- Infusion Set Business — manufacturing and sale of high-end infusion sets; and
- Orthopedic Implant Business — manufacturing and sale of orthopedic implant products, including the product category of trauma, spine and joints.

The chief operating decision-makers assess the performance of the operating segments based on the operating profit of each segment. Substantially all of the businesses of the Group are carried out in the PRC.

Year ended December 31, 2015	Regenerative Medical Biomaterial Business RMB'000	Infusion Set Business RMB'000	Orthopedic Implant Business RMB'000	Total RMB'000
Revenue from external customers	210,088	300,793	122,993	633,874
Cost of sales	<u>(29,740)</u>	<u>(95,590)</u>	<u>(32,559)</u>	<u>(157,889)</u>
Gross profit	<u>180,348</u>	<u>205,203</u>	<u>90,434</u>	<u>475,985</u>
Selling expenses	(27,198)	(37,990)	(35,312)	(100,500)
Administrative expenses	(19,700)	(41,624)	(40,011)	(101,335)
Research and development expenses	(8,529)	(13,495)	(13,944)	(35,968)
Other gains — net	<u>468</u>	<u>7,215</u>	<u>2,086</u>	<u>9,769</u>
Segment profit	<u>125,389</u>	<u>119,309</u>	<u>3,253</u>	<u>247,951</u>
Finance income				6,281
Finance costs				<u>(939)</u>
Finance income — net				<u>5,342</u>
Profit before income tax				<u>253,293</u>
Segment assets	<u>803,056</u>	<u>1,168,863</u>	<u>557,178</u>	<u>2,529,097</u>
Deferred income tax assets				<u>10,179</u>
Total assets				<u>2,539,276</u>
Segment liabilities	<u>31,113</u>	<u>110,012</u>	<u>38,631</u>	<u>179,756</u>
Deferred income tax liabilities				<u>60,855</u>
Total liabilities				<u>240,611</u>
Other segment information				
Amortisation of land use rights	333	956	67	1,356
Depreciation of property, plant and equipment	3,337	14,105	14,352	31,794
Amortisation of intangible assets	21,963	4,220	1,003	27,186

Year ended December 31, 2014	Regenerative Medical Biomaterial Business <i>RMB'000</i>	Infusion Set Business <i>RMB'000</i>	Orthopedic Implant Business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	79,511	362,788	165,760	608,059
Cost of sales	<u>(11,826)</u>	<u>(113,342)</u>	<u>(40,002)</u>	<u>(165,170)</u>
Gross profit	<u>67,685</u>	<u>249,446</u>	<u>125,758</u>	<u>442,889</u>
Selling expenses	(12,707)	(44,133)	(37,384)	(94,224)
Administrative expenses	(5,649)	(68,197)	(34,191)	(108,037)
Research and development expenses	(3,382)	(14,902)	(16,897)	(35,181)
Other gains — net	<u>2,488</u>	<u>5,068</u>	<u>754</u>	<u>8,310</u>
Segment profit	<u>48,435</u>	<u>127,282</u>	<u>38,040</u>	<u>213,757</u>
Finance income				22,228
Finance costs				<u>(24,663)</u>
Finance costs — net				<u>(2,435)</u>
Profit before income tax				<u>211,322</u>
Segment assets	<u>735,349</u>	<u>1,111,484</u>	<u>520,927</u>	<u>2,367,760</u>
Deferred income tax assets				<u>14,777</u>
Total assets				<u>2,382,537</u>
Segment liabilities	<u>32,024</u>	<u>146,396</u>	<u>27,475</u>	<u>205,895</u>
Deferred income tax liabilities				<u>65,316</u>
Total liabilities				<u>271,211</u>
Other segment information				
Amortisation of land use rights	136	951	65	1,152
Depreciation of property, plant and equipment	1,199	12,176	10,668	24,043
Amortisation of intangible assets	9,150	4,084	958	14,192

(a) Concentration of customers

Revenues of approximately RMB35,826,000 (2014: RMB54,723,000) are derived from a single external customer. These revenues are attributable to the Infusion Set Business segment.

(b) Geographical segment information

The Group's operations, assets and most of the customers are located in the PRC. Accordingly, no geographical analysis of revenue, non-current assets and customers is presented.

4 EXPENSES BY NATURE

	Year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Raw materials and consumable used	61,996	62,947
Changes in inventories of finished goods and work in progress	(21,687)	6,077
Employee benefits expenses	136,596	141,663
Depreciation of property, plant and equipment	31,794	24,043
Advertising, promotions and business development costs	45,368	50,812
Office and communication expenses	8,574	10,420
Direct research costs	15,557	24,527
Travelling and entertainment expenses	11,954	9,202
Taxes and levies	10,745	8,072
Provision/(Reversal) for impairment of receivables	12,725	(978)
Write-down of inventories	1,856	546
Low-value consumables	1,511	4,712
Operating lease payments	5,865	7,744
Transportation costs	9,258	6,524
Amortisation of land use rights	1,356	1,152
Amortisation of intangible assets	27,186	14,192
Professional fee	12,327	12,376
Auditor's remuneration		
— Audit services	3,200	2,400
— Non-audit services	70	—
Utilities	12,160	10,118
Others	7,281	6,063
Total cost of sales, selling expenses, administrative expenses and research and development expenses	<u>395,692</u>	<u>402,612</u>

5 EMPLOYEE BENEFITS EXPENSES

	Year ended December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and bonuses	114,138	100,145
Staff welfare	6,967	5,250
Social security costs	13,337	9,061
Housing fund	3,612	3,069
(Reversal)/recognition of share-based compensation expenses	<u>(1,458)</u>	<u>24,138</u>
Total employee benefits expenses	<u>136,596</u>	<u>141,663</u>

Pursuant to the principal terms of the pre-initial public offering share option scheme (the “**Pre-IPO Share Option Scheme**”) which was passed on July 3, 2013 and amended on October 14, 2013, certain performance conditions in respective fiscal years should be met before exercise of share options. Share-based compensation expenses recognised in prior years in relation to the third tranche (4 tranches in total) was reversed given certain performance conditions in relation to 2015 were not met.

6 OTHER GAINS — NET

	Year ended December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants		
— relating to costs	6,977	5,390
— relating to assets	1,113	359
Realised gain on available-for-sale financial assets	422	2,311
Sales of scraps	27	637
Gain/(loss) on disposal of property, plant and equipment	15	(303)
Others	<u>1,215</u>	<u>(84)</u>
	<u>9,769</u>	<u>8,310</u>

7 FINANCE INCOME/COSTS — NET

Year ended December 31,
2015 2014
RMB'000 RMB'000

Finance income:

— Interest income on short-term bank deposits	(6,281)	(22,228)
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Finance costs:

— Interest expense on bank borrowings	2,198	15,744
— Net foreign exchange (gain)/loss	(315)	8,919
Less: amounts capitalised on qualifying assets	(944)	—

Total finance costs	939	24,663
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Finance income/costs — net	(5,342)	2,435
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8 INCOME TAX EXPENSES

Year ended December 31,
2015 2014
RMB'000 RMB'000

Current income tax	44,574	40,969
Deferred income tax	137	(6,277)

Income tax expenses	44,711	34,692
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Below are the major tax jurisdictions that the Group operates during the year.

(a) Cayman Islands profits tax

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

(b) Hong Kong profits tax

Companies incorporated in Hong Kong are subject to the Hong Kong profits tax at a rate of 16.5% during the year.

(c) The PRC Corporate Income Tax (the “CIT”)

Except for Beijing Tianxinfu Medical Appliance Co., Ltd. (“**Beijing Tianxinfu**”), Beijing Fert Technology Co., Ltd. (“**Fert Technology**”), Shenzhen Bone Medical Device Co., Ltd. (“**Shenzhen Bone**”) and Tianjin Walkman Biomaterial Co., Ltd. (“**Walkman Biomaterial**”), the CIT of the Group in respect of its operations in mainland China is calculated at the tax rate of 25% on the estimated assessable profits for each of the year, based on the existing legislation interpretation and practices in respect thereof.

Beijing Tianxinfu, Fert Technology, Shenzhen Bone and Walkman Biomaterial were 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. They will continue to enjoy the preferential tax rate in the subsequent periods, provided that they continue to be qualified as “High and New Technology Enterprises” during such periods.

(d) Withholding Tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 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 withholding tax rate will be reduced from 10% to 5%.

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

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:

	Year ended December 31,	
	2015	2014
	RMB’000	RMB’000
Profit before income tax	<u>253,293</u>	<u>211,322</u>
Tax calculated at statutory tax rates applicable to profits in the respective countries	63,323	52,831
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	(23,455)	(23,489)
Tax losses for which no deferred income tax asset was recognised	7,029	6,086
Additional deductible allowance for research and development expenses (i)	(2,076)	(2,101)
Deemed income for tax purpose	106	383
Expenses not deductible for tax purpose	1,260	982
Adjustment in respect of prior years	<u>(1,476)</u>	<u>—</u>
Tax charge	<u><u>44,711</u></u>	<u><u>34,692</u></u>

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

9 EARNINGS PER SHARE

(a) Basic

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

	2015	2014
Profit attributable to owners of the Company (<i>RMB'000</i>)	<u>208,582</u>	<u>176,630</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,674,883</u>	<u>1,670,397</u>
Basic earnings per share (<i>RMB cents per share</i>)	<u>12.45</u>	<u>10.57</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share options. The share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2015	2014
Profit attributable to owners of the Company (<i>RMB'000</i>)	<u>208,582</u>	<u>176,630</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,674,883</u>	<u>1,670,397</u>
Adjustments for share options (<i>thousands</i>)	<u>19,574</u>	<u>44,868</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	<u>1,694,457</u>	<u>1,715,265</u>
Diluted earnings per share (<i>RMB cents per share</i>)	<u>12.31</u>	<u>10.30</u>

10 DIVIDENDS

The Board does not propose a final dividend for the year ended December 31, 2015 (2014: Nil).

11 LAND USE RIGHTS

The Group's interests in land use rights represent prepayments for operating lease payments for land located in the PRC, the net book values of which are analysed as follows:

	Year ended December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Opening net book amount	64,662	51,759
Acquisition of subsidiaries	—	13,586
Additions	804	469
Amortisation charge	<u>(1,356)</u>	<u>(1,152)</u>
Closing net book amount	64,110	64,662
Cost	68,553	67,749
Accumulated amortisation	<u>(4,443)</u>	<u>(3,087)</u>
	<u>64,110</u>	<u>64,662</u>

As at December 31, 2015, the Group is still in the process of applying the usage right certificates of certain land with the aggregated carrying amounts of RMB10,409,000 (2014: RMB10,916,000).

Amortisation of land use rights has been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	444	353
Administrative expenses	<u>912</u>	<u>799</u>
	<u>1,356</u>	<u>1,152</u>

As at December 31, 2015, no land use rights were pledged for the Group's borrowings (2014: Nil).

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Furniture, fittings and office equipment <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2014							
Cost	79,367	14,050	8,304	81,113	7,161	43,686	233,681
Accumulated depreciation	<u>(9,997)</u>	<u>(2,303)</u>	<u>(2,710)</u>	<u>(14,807)</u>	<u>(2,743)</u>	<u>—</u>	<u>(32,560)</u>
Net book amount	<u>69,370</u>	<u>11,747</u>	<u>5,594</u>	<u>66,306</u>	<u>4,418</u>	<u>43,686</u>	<u>201,121</u>
Year ended December 31, 2014							
Opening net book amount	69,370	11,747	5,594	66,306	4,418	43,686	201,121
Additions	16,125	3,006	1,920	25,083	2,188	142,109	190,431
Acquisition of subsidiaries	16,214	—	121	8,298	48	—	24,681
Transfer	24,186	1,105	—	26,713	—	(52,004)	—
Disposals	—	—	(14)	(2,486)	(110)	—	(2,610)
Depreciation	<u>(5,801)</u>	<u>(2,202)</u>	<u>(1,518)</u>	<u>(13,189)</u>	<u>(1,333)</u>	<u>—</u>	<u>(24,043)</u>
Closing net book amount	<u>120,094</u>	<u>13,656</u>	<u>6,103</u>	<u>110,725</u>	<u>5,211</u>	<u>133,791</u>	<u>389,580</u>
At December 31, 2014							
Cost	141,011	18,161	16,845	148,121	9,898	133,791	467,827
Accumulated depreciation	<u>(20,917)</u>	<u>(4,505)</u>	<u>(10,742)</u>	<u>(37,396)</u>	<u>(4,687)</u>	<u>—</u>	<u>(78,247)</u>
Net book amount	<u>120,094</u>	<u>13,656</u>	<u>6,103</u>	<u>110,725</u>	<u>5,211</u>	<u>133,791</u>	<u>389,580</u>
Year ended December 31, 2015							
Opening net book amount	120,094	13,656	6,103	110,725	5,211	133,791	389,580
Additions	5,554	423	1,406	13,784	1,504	283,780	306,451
Transfer	11,228	336	73	16,492	—	(28,129)	—
Disposals	—	—	(102)	(4,766)	(41)	—	(4,909)
Depreciation	<u>(7,874)</u>	<u>(2,598)</u>	<u>(2,298)</u>	<u>(17,448)</u>	<u>(1,576)</u>	<u>—</u>	<u>(31,794)</u>
Closing net book amount	<u>129,002</u>	<u>11,817</u>	<u>5,182</u>	<u>118,787</u>	<u>5,098</u>	<u>389,442</u>	<u>659,328</u>
At December 31, 2015							
Cost	157,793	18,920	18,092	171,606	10,601	389,442	766,454
Accumulated depreciation	<u>(28,791)</u>	<u>(7,103)</u>	<u>(12,910)</u>	<u>(52,819)</u>	<u>(5,503)</u>	<u>—</u>	<u>(107,126)</u>
Net book amount	<u>129,002</u>	<u>11,817</u>	<u>5,182</u>	<u>118,787</u>	<u>5,098</u>	<u>389,442</u>	<u>659,328</u>

As at December 31, 2015, the Group is still in the process of applying the ownership certificates of certain buildings with the aggregated carrying amounts of RMB8,579,000 (2014: RMB14,927,000).

Depreciation of property, plant and equipment has been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Cost of sales	21,147	15,033
Administrative expenses	7,889	7,074
Selling and marketing expenses	850	791
Research and development expenses	1,908	1,145
	<u>31,794</u>	<u>24,043</u>

As at December 31, 2015, no buildings were pledged for the Group's borrowings (2014: Nil).

Construction work in progress as at December 31, 2015 mainly comprises new manufacturing factory under construction.

During the year, the Group has capitalised borrowing costs amounting to RMB944,000 (2014: Nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.25%.

13 INTANGIBLE ASSETS

	Goodwill	Computer software	Trademarks	Technology know-how	Customer relationship	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2014						
Cost	249,727	198	11,755	50,343	5,012	317,035
Accumulated amortisation	—	(125)	(2,090)	(7,329)	(2,228)	(11,772)
Net book amount	<u>249,727</u>	<u>73</u>	<u>9,665</u>	<u>43,014</u>	<u>2,784</u>	<u>305,263</u>
Year ended December 31, 2014						
Opening net book amount	249,727	73	9,665	43,014	2,784	305,263
Acquisition of subsidiaries	373,229	—	22,956	306,477	—	702,662
Additions	—	1,161	—	—	—	1,161
Amortisation charge	—	(66)	(1,422)	(11,869)	(835)	(14,192)
Closing net book amount	<u>622,956</u>	<u>1,168</u>	<u>31,199</u>	<u>337,622</u>	<u>1,949</u>	<u>994,894</u>
At December 31, 2014						
Cost	622,956	1,359	34,711	356,820	5,012	1,020,858
Accumulated amortisation	—	(191)	(3,512)	(19,198)	(3,063)	(25,964)
Net book amount	<u>622,956</u>	<u>1,168</u>	<u>31,199</u>	<u>337,622</u>	<u>1,949</u>	<u>994,894</u>

	Goodwill <i>RMB'000</i>	Computer software <i>RMB'000</i>	Trademarks <i>RMB'000</i>	Technology know-how <i>RMB'000</i>	Customer relationship <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended December 31, 2015						
Opening net book amount	622,956	1,168	31,199	337,622	1,949	994,894
Additions	—	90	—	—	—	90
Amortisation charge	—	(248)	(2,314)	(23,789)	(835)	(27,186)
Closing net book amount	622,956	1,010	28,885	313,833	1,114	967,798
At December 31, 2015						
Cost	622,956	1,449	34,711	356,820	5,012	1,020,948
Accumulated amortisation	—	(439)	(5,826)	(42,987)	(3,898)	(53,150)
Net book amount	622,956	1,010	28,885	313,833	1,114	967,798

Amortisation of intangible assets has been charged to the consolidated income statement as follows:

	Year ended December 31, 2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Cost of sales	22,862	10,944
Administrative expenses	1,175	991
Selling expenses	3,149	2,257
	27,186	14,192

Impairment tests for goodwill

Goodwill acquired through business combinations has been primarily allocated to the Infusion Set Business, Orthopedic Implant Business and Regenerative Medical Biomaterial Business as below:

	Infusion Set Business <i>RMB'000</i>	Orthopedic Implant Business <i>RMB'000</i>	Regenerative Medical Biomaterial Business <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2014	160,754	88,973	373,229	622,956
As at December 31, 2015	<u>160,754</u>	<u>88,973</u>	<u>373,229</u>	<u>622,956</u>

Goodwill is monitored by the management at the operating segment level.

The recoverable amount of a cash-generating unit (“CGU”) is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the businesses in which the CGU operates.

The key assumptions used for value-in-use calculations as at December 31, 2015 and 2014 are as follows:

	Infusion Set Business		Orthopedic Implant Business		Regenerative Medical Biomaterial Business	
	As at December 31,		As at December 31,		As at December 31,	
	2015	2014	2015	2014	2015	2014
Gross margin	65.0%	64.0%	75.0%	75.0%	84.0%	90.0%
Growth rate	2.5%	2.5%	2.5%	2.5%	4.0%	4.0%
Discount rate	17.6%	17.6%	17.6%	17.6%	16.0%	16.0%

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

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the operating segment.

Management does not foresee any significant change in the key assumptions used in the value-in-use calculation that will cause the recoverable amount of goodwill to be less than its carrying amount.

14 LONG-TERM PREPAYMENTS

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Prepayments for property, plant and equipment	3,774	32,315
Others	206	221
	<u>3,980</u>	<u>32,536</u>

15 INVENTORIES

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Raw materials	35,061	33,886
Work in progress	18,598	19,805
Finished goods	70,324	47,430
	<u>123,983</u>	<u>101,121</u>

The cost of inventories recognised as expense and included in “cost of sales” amounted to RMB142,614,000 and RMB138,987,000 for the years ended December 31, 2014 and 2015 respectively, which included inventory write-down of RMB1,856,000 (2014: RMB546,000).

16 TRADE AND OTHER RECEIVABLES

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Trade receivables	365,643	339,498
Less: provision for impairment (a)	(8,076)	(6,871)
Less: non-current portion (b)	<u>(24,071)</u>	<u>—</u>
Trade receivables — net (c)	333,496	332,627
Bills receivable (d)	2,898	992
Prepayments	10,134	8,286
Receivables from disposal of subsidiaries (e)	—	12,520
Other receivables (f)	<u>11,075</u>	<u>16,726</u>
	<u>357,603</u>	<u>371,151</u>

As at December 31, 2015 and 2014, except for the prepayments which are not financial assets, the fair value of the trade and other receivables approximated its carrying amounts. As at December 31, 2015 and 2014, the carrying amounts of the trade and other receivables are denominated in RMB.

- (a) As of December 31, 2015, trade receivables of RMB8,084,000 (2014: RMB6,914,000) were impaired. The amount of the provision was RMB8,076,000 as of December 31, 2015 (2014: RMB6,871,000). The ageing of these receivables is as follows:

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Up to 3 months	87	-
3 to 6 months	26	-
6 months to 12 months	864	-
1 year to 2 years	356	114
2 years to 3 years	316	745
Over 3 years	<u>6,435</u>	<u>6,055</u>
	<u>8,084</u>	<u>6,914</u>

The individually impaired receivables mainly relate to certain customers, which are in unexpected difficult economic situations.

(b) Non-current portion of the trade receivables

As of July 2015, Fert Technology entered into an agreement (the “**Agreement**”) with a major customer who owed an amount of approximately RMB59,227,000 to Fert Technology. Pursuant to the Agreement, the customer should settle the amount in cash by monthly instalment of RMB2 million from August 2015 till the outstanding balance is fully settled, thus the carrying amount of the receivables has been adjusted down to current value of estimated future cash flow discounted by effective interest rate of 4.75%. The discounted carrying amount is RMB46,350,000 among which RMB24,071,000 will be due after 2016.

- (c) As at December 31, 2015 and 2014, the ageing analysis of the trade receivables based on invoice date are as follows:

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Up to 3 months	109,088	144,552
3 to 6 months	54,014	80,059
6 months to 12 months	86,863	89,230
1 year to 2 years	98,756	16,761
2 years to 3 years	8,846	2,025
	<u>357,567</u>	<u>332,627</u>

Trade receivables arose mainly from Infusion Set Business and Orthopedic Implant Business, as sales from Regenerative Medical Biomaterial Business were normally settled by advance payments from customers. The Group agreed with the customers of Infusion Set Business and Orthopedic Implant Business in settling trade receivables with reference to credit periods within 180 days to 365 days or outstanding balances within certain limits. No interests are charged on the trade receivables. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sales of the goods. This provision has been determined by reference to past collection experience.

Movements on the Group's provision for impairment of trade receivables are as follows:

	2015	2014
	RMB'000	RMB'000
As at January 1	6,871	7,849
Provision/(reversal) for impairment of receivables	<u>1,205</u>	<u>(978)</u>
As at December 31	<u>8,076</u>	<u>6,871</u>

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

(e) Movements on the receivables from disposal of subsidiaries are as follows:

	2015 RMB'000	2014 <i>RMB'000</i>
As at January 1	12,520	12,520
Cash receipt from disposal of subsidiaries	(1,000)	—
Provision for impairment of receivables from disposal of subsidiaries	<u>(11,520)</u>	<u>—</u>
As at December 31	<u><u>—</u></u>	<u><u>12,520</u></u>

As at December 31, 2015, full provision on the receivables from disposal of subsidiaries has been made as it was considered as uncollectible.

(f) The breakdown of other receivables is as follows:

	As at December 31, 2015 RMB'000	2014 <i>RMB'000</i>
Interest receivable	1,517	6,198
Advances to employees	2,112	2,890
Receivables on government grants	—	2,400
Deposits	1,397	1,936
Receivables from disposal of property, plant and equipment	—	1,480
Others	<u>6,049</u>	<u>1,822</u>
	<u><u>11,075</u></u>	<u><u>16,726</u></u>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

17 RESTRICTED CASH

	As at December 31, 2015 RMB'000	2014 <i>RMB'000</i>
Restricted bank deposit	<u><u>—</u></u>	<u><u>260,000</u></u>

The restricted cash as of December 31, 2014 represented guaranteed deposits held in a separate reserve account pledged to the bank as security deposits under bank borrowing agreements. The carrying amount of the restricted cash is denominated in RMB.

18 TERM DEPOSITS

As at December 31,
2015 2014
RMB'000 RMB'000

Term deposits	40,000	—
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Term deposits are denominated in RMB and with original maturity within 1 year. The effective interest rate of these term deposits for the year ended December 31, 2015 was 3.46%.

19 CASH AND CASH EQUIVALENTS

As at December 31,
2015 2014
RMB'000 RMB'000

Cash on hand	705	955
Cash at banks	207,385	144,361
Short-term bank deposits	80,134	8,500
	288,224	153,816

Short-term bank deposits are denominated in RMB and USD and with original maturity within 3 months. The effective interest rate of these deposits for the year ended December 31, 2015 was 1.07% (2014: 3.78%).

The carrying amount of the cash and cash equivalents are denominated in the following currencies:

As at December 31,
2015 2014
RMB'000 RMB'000

RMB	203,814	127,767
HKD	15,878	16,388
USD	68,428	9,557
EUR	104	104
	288,224	153,816

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Balance at January 1, 2014	1,660,000,000	1,026	1,647,840	1,648,866
Proceeds from employee share options exercised	16,926,761	10	10,582	10,592
Transfer from other reserves upon exercise of share options	—	—	15,982	15,982
Balance at December 31, 2014	<u>1,676,926,761</u>	<u>1,036</u>	<u>1,674,404</u>	<u>1,675,440</u>
Balance at January 1, 2015	1,676,926,761	1,036	1,674,404	1,675,440
Proceeds from employee share options exercised (a)	13,407,407	8	8,656	8,664
Share repurchases (b)	(17,312,000)	(10)	(29,671)	(29,681)
Transfer from other reserves upon exercise of share options (c)	—	—	13,432	13,432
Balance at December 31, 2015	<u>1,673,022,168</u>	<u>1,034</u>	<u>1,666,821</u>	<u>1,667,855</u>

- (a) Options exercised during the year ended December 31, 2015 resulted in 13,407,407 shares being issued, with exercise proceeds of HKD10,614,000 (equivalent to RMB8,664,000). The related weighted average price of the Company's share at the time of exercise was HKD2.55 per share.
- (b) The Company acquired 17,312,000 of its own shares through purchases on the Stock Exchange in 2015. The total amount paid to acquire the shares was RMB29,681,000 and has been deducted from share capital and share premium within shareholders' equity.
- (c) Upon exercise of share options, share option reserve amounting to RMB13,432,000 (2014: RMB15,982,000) was transferred to share premium.

21 TRADE AND OTHER PAYABLES

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Trade payables	39,132	29,126
Salary and staff welfare payables	29,831	34,350
Advances from customers	20,733	17,249
Payables for construction in progress	40,597	—
Provisions for sales rebate	7,254	9,049
Deposits	5,487	5,296
Payables for purchase of land use rights	3,901	3,901
Value added tax and other taxes	7,579	1,837
Professional service fee	6,109	1,067
Research and development expenses payables	1,007	—
Other payables	8,636	12,443
	<u>170,266</u>	<u>114,318</u>

As at December 31, 2015 and 2014, except for the salary and staff welfare payables, advances from customers and value added tax and other taxes which are not financial liabilities, all trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

As at December 31, 2015 and 2014, the ageing analysis of the trade payables based on invoice date are as follows:

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Up to 3 months	25,697	25,941
3 months to 6 months	10,754	538
6 months to 12 months	1,590	1,777
1 year to 2 years	344	721
2 years to 3 years	714	12
Over 3 years	33	137
	<u>39,132</u>	<u>29,126</u>

All of the carrying amounts of the Group's trade payables are denominated in RMB.

22 BORROWINGS

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Current bank borrowings — secured/guaranteed	<u>—</u>	<u>75,000</u>

23 DEFERRED INCOME

Deferred income represents government grants relating to acquisition of property, plant and equipment. These government grants are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. The movement of deferred income during the year are as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	RMB'000
At beginning of year	7,282	2,241
Additions	—	5,400
Credited to income statements	<u>(1,113)</u>	<u>(359)</u>
At end of year	<u>6,169</u>	<u>7,282</u>

24 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	253,293	211,322
Adjustments for:		
Depreciation of property, plant and equipment	31,794	24,043
Amortisation of land use rights	1,356	1,152
Amortisation of intangible assets	27,186	14,192
Finance costs	1,254	15,744
(Gain)/loss on disposal of property, plant and equipment	(15)	303
Realised gain on available-for-sale financial assets	(422)	(2,311)
Share-based compensation expenses	(1,458)	24,138
Interest income	(6,281)	(22,228)
Unrealised exchange gains	(3,091)	—
Provision/(reversal) for impairment of receivables	<u>12,725</u>	<u>(978)</u>
	<u>316,341</u>	<u>265,377</u>
Change in working capital		
Inventories	(22,862)	3,533
Trade and other receivables	(25,728)	(128,905)
Amounts due to related parties	—	(66)
Deferred income	(1,113)	(359)
Trade and other payables	<u>45,139</u>	<u>(1,496)</u>
Cash generated from operating activities	<u>311,777</u>	<u>138,084</u>

(b) In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	Year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Net book amount	4,909	2,610
Receipt of consideration for disposals in prior year/(outstanding considerations)	1,480	(1,480)
Gain/(loss) on disposal of property, plant and equipment	<u>15</u>	<u>(303)</u>
Proceeds from disposal of property, plant and equipment	<u>6,404</u>	<u>827</u>

(c) In the consolidated cash flow statement, disposal of subsidiaries comprise:

	Year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Cash receipt from disposal of subsidiaries	<u>1,000</u>	<u>3,000</u>
	<u>1,000</u>	<u>3,000</u>

25 CONTINGENCIES

During the year ended December 31, 2015, one of the Group's subsidiaries (the "Subsidiary") received a Demand for Response Notice (應訴通知書) and corresponding litigation materials from Beijing Intellectual Property Court (北京知識產權法院), in which the plaintiff proposed a civil action against the Subsidiary and its original investors before it was being acquired by the Group (collectively, the "Defendants") due to the dispute arising from the Technology Development Agreement (技術開發合同). The plaintiff required the Defendants to be liable for the profit dividend and interest of RMB10 million and the litigation costs of the case of RMB81,800. The directors of the Company and the Group's attorney agent considered that since the Subsidiary is not the principal of the said Technology Development Agreement, the court of the first instance will reject the litigation request of the plaintiff eventually. Therefore, the case will not make any substantial impact to the Group, nor will result in any loss.

26 EVENTS AFTER THE BALANCE SHEET DATE

The Company repurchased 20,666,000 shares in January 2016 at a total consideration of HKD32,439,000. The shares have subsequently been cancelled in February 2016.

FINANCIAL REVIEW

Overview

	For the year ended December 31,		
	2015	2014	Change %
	<i>RMB'000</i>	<i>RMB'000</i>	
	<i>(except for EPS)</i>	<i>(except for EPS)</i>	
Revenue			
— Regenerative Medical Biomaterial Business	210,088	79,511	164.2%
— Infusion Set Business	300,793	362,788	−17.1%
— Orthopedic Implant Business	122,993	165,760	−25.8%
Total revenue	633,874	608,059	4.2%
Gross Profit	475,985	442,889	7.5%
Earnings before interests, tax, depreciation and amortization	314,883	266,453	18.2%
Earnings before interests and tax	254,547	227,066	12.1%
Unaudited adjusted net profit (excluding share-based compensation expenses, and merger and acquisition costs)	207,126	204,678	1.2%
Profit for the year/profit attributable to owners of the Company	208,582	176,630	18.1%
Basic earnings per share (“EPS”, in RMB cents)	12.45	10.57	17.8%
Diluted EPS (RMB cents)	12.31	10.30	19.5%

Revenue

The revenue of the Group increased by 4.2% from RMB608.1 million in 2014 to RMB633.9 million in 2015, as a result of the increase in the sales of the Regenerative Medical Biomaterial Business offset by the decrease in the sales of the other two segments.

Revenue from the Regenerative Medical Biomaterial Business for the year ended December 31, 2015 amounted to approximately RMB210.1 million. For the comparative year ended December 31, 2014, the Group consolidated the result of this business segment from August 1, 2014, upon the completion of the relevant acquisition. Revenue from the Regenerative Medical Biomaterial Business for the five-month period ended December 31, 2014 (the period after the completion of the acquisition during the year of 2014) amounted to approximately RMB79.5 million. Comparing to the revenue from the Regenerative Medical Biomaterial Business as recorded in the unaudited management accounts of the relevant subsidiaries prepared under HKFRS for the year ended December 31, 2014, the Regenerative

Medical Biomaterial Business revenue for the year ended December 31, 2015 had increased by 19.5% on a year-on-year basis. The increase is mainly contributed by the increase in sales volume as a result of increased market demand and the Group's expansion of sales network.

Revenue from the Infusion Set Business amounted to approximately RMB300.8 million for the year ended December 31, 2015, representing a decrease of 17.1% from approximately RMB362.8 million for the year ended December 31, 2014. Revenue from the Orthopedic Implant Business amounted to RMB123.0 million for the year ended December 31, 2015, representing a decrease of 25.8% from approximately RMB165.8 million for the year ended December 31, 2014. The decreases in these two segments are mainly due to decreases in sales volume of both advance infusion sets and orthopedic implants. The restructuring being implemented to the sales forces also prolonged the time for these segments to recover. However the management believes this negative trend is temporary and has confidence in the promising prospect of the Infusion Set Business and the Orthopedic Implant Business.

Gross Profit

The Group's gross profit increased by 7.5% from approximately RMB442.9 million in 2014 to approximately RMB476.0 million in 2015. The gross profit margin increased from 72.8% in 2014 to 75.1% in 2015, which is primarily attributable to the increased proportion of revenue generated from the Regenerative Medical Biomaterial Business, which has a higher gross margin comparing to other business segments.

The gross profit margin rate of the Regenerative Medical Biomaterial Business during the year slightly increased to 85.8% from 85.1% for the prior year due to the economies of scale with an increased output. The gross profit of the Regenerative Medical Biomaterial Business included effect of the additional cost of sales from the amortisation of the intangible assets of technology know-how, the additional amortisation of land use right valuation surplus and the 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 was amounted to RMB21.1 million for the year ended December 31, 2015 (RMB8.8 million for the post acquisition period of five months ended December 31, 2014). By excluding the effect of above mentioned additional amortisation and depreciation resulted from the purchase accounting process under HKFRSs so as to be at a comparable basis with this segment's pre-acquisition performance, the unaudited gross profit rate of the Group's Regenerative Medical Biomaterial Business would have been 95.9% (Post acquisition period in 2014: 96.2%).

The gross profit margin rate of the Infusion Set Business during the year slightly decreased to 68.2% from 68.8% for the prior year, and the gross profit margin rate of the Orthopedic Implant Business decreased to 73.5% from 75.9% for the prior year, mainly due to the product mix changes with less sales of higher margin products.

Selling Expenses

Selling expenses increased by 6.7% from approximately RMB94.2 million in 2014 to approximately RMB100.5 million in 2015. This increase was largely in line with the increase in overall sales, mainly attributable to the additional selling expense incurred by the Regenerative Medical Biomaterial Business with a longer consolidation period during the year ended December 31, 2015, offset by the savings of certain direct selling expenses as a result of sales decrease in the Infusion Set Business and the Orthopedic Implant Business.

Administrative Expenses

Administrative expenses decreased by 6.2% from approximately RMB108.0 million in 2014 to approximately RMB101.3 million in 2015. The overall decrease of approximately RMB6.7 million was the result of the following factors:

- The share-based compensation cost decreased by RMB25.6 million, from RMB24.1 million in the prior year to the reversal of RMB1.5 million for the year ended December 31, 2015. According to the principal terms of the Pre-IPO Share Option Scheme approved by resolution of our shareholders passed on July 3, 2013 and amended by resolution of our shareholders passed on October 14, 2013, the options under the Pre-IPO Share Option Scheme shall vest in four 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 November 8, 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 Pre-IPO Share Option Scheme were disclosed in the Company’s prospectus dated October 28, 2013. Pursuant to the principal terms of the Pre-IPO Share Option Scheme, certain performance conditions in respective fiscal years should be met before the vesting of share options. Share-based compensation expenses recognised in relation to the third Tranche (4 Tranches in total) were reversed given that certain performance conditions in relation to the year ended December 31, 2015 were not met.
- Certain merger and acquisition costs amounted to approximately RMB3.9 million in the prior year was non-recurring in nature.
- The provision for impairment of receivables increased by RMB13.7 million to approximately RMB12.7 million for the year ended December 31, 2015, comparing to a reversal of RMB1.0 million in the prior year. The significant increase in provision for impairment of receivables was mainly due to the provision of approximately RMB11.5 million provided for the overdue outstanding receivable from the disposal of an Orthopedic Implant Business subsidiary, which was completed in September 2013.
- The amount of administrative expenses from the Regenerative Medical Biomaterial Business increased as it is fully consolidated for the year ended December 31, 2015.

R&D Expenses

R&D expenses increased by 2.2% from approximately RMB35.2 million in 2014 to approximately RMB36.0 million in 2015, mainly due to the increased investment in R&D and was largely in line with the increase in revenue.

Finance Income/Costs — Net

The Group had a net finance income of RMB5.3 million for the year ended December 31, 2015, comparing to the net finance costs of RMB2.4 million in 2014. The finance income decreased from RMB22.2 million in 2014 to RMB6.3 million during the year ended December 31, 2015, mainly as a result of the decrease in the total balance of the interest generating assets including cash and cash equivalents, term deposits and restricted cash. The finance cost decreased from RMB24.7 million in 2014 to RMB0.9 million during the year ended December 31, 2015, as the Group repaid all the borrowings in first half of 2015 and had no other material interest bearing liabilities.

Income Tax Expense

For the year ended December 31, 2015, income tax expense amounted to approximately RMB44.7 million, increased by approximately RMB10.0 million as compared with the corresponding period last year, which is largely in line with the increase in profit before tax. The effective tax rate increased slightly from 16.4% for the corresponding period last year to 17.7% in 2015. The main reason for the increase of effective tax rate was decrease of profit from certain subsidiaries with preferential income tax rate of 15%.

Net Profit and Unaudited Adjusted Net Profit

For the foregoing reasons, the net profit of the Group in 2015 increased by 18.1%, from approximately RMB176.6 million in 2014 to RMB208.6 million in 2015.

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also used unaudited adjusted net profit as an additional financial measure to evaluate our financial performance. Our unaudited adjusted net profit in 2015, derived by excluding the reversal of share-based compensation expenses of approximately RMB1.5 million (2014: non-operational and one-off items comprising the merger and acquisition costs of approximately RMB3.9 million and the share-based compensation expenses of approximately RMB24.1 million) together with the corresponding income tax expense, was approximately RMB207.1 million, which represented an increase by 1.2% over approximately RMB204.7 million in 2014.

Trade and Other Receivables

The Group's trade receivables were primarily the outstanding proceeds from credit sales.

As of December 31, 2015, the trade and other receivables of the Group, including both current and non-current portion, were approximately RMB381.7 million, representing an increase of approximately RMB10.5 million, as compared to approximately RMB371.2 million as of December 31, 2014. The increase was mainly due to the increase in trade receivables resulting from the prolonged credit period for sales made to hospitals and distributors.

Inventories

Inventories slightly increased by 22.6%, from approximately RMB101.1 million as of December 31, 2014 to approximately RMB124.0 million as of December 31, 2015. The increase of inventories was mainly due to the increase in finished goods for meeting the potential market demand.

Property, Plant and Equipment

Property, plant and equipment included buildings, machinery and equipment and construction under progress. As of December 31, 2015, the property, plant and equipment of the Group amounted to approximately RMB659.3 million, representing an increase of approximately RMB269.7 million, as compared to approximately RMB389.6 million as of December 31, 2014. The increase was primarily due to the acquisition and construction of new facilities and production lines to expand production facilities.

Intangible Assets

The Group's intangible assets mainly include goodwill, technology know-how, trademarks, computer software and customer relationship. The Group's goodwill, technology know-how and trademarks are mainly identified and recorded during the purchase accounting process for the acquisitions of subsidiaries. The goodwill is subject to impairment test at each period end, while the technology know-how and trademarks are amortized with straight line method for 15 years. As of December 31, 2015, the net value of the Group's intangible assets was RMB967.8 million, representing a decrease of RMB27.1 million as compared to RMB994.9 million as of December 31, 2014. The decrease was primarily due to the amortisation of the intangible assets during the year ended December 31, 2015.

Financial Resources and Liquidity

As at December 31, 2015, the Group's cash and bank balances amounted to approximately RMB288.2 million (2014: RMB153.8 million), the Group's term deposits amounted to approximately RMB40.0 million (2014: Nil) and the Group had no restricted cash balances (2014: RMB260.0 million). As at December 31, 2015, the Group's bank borrowing balances was nil (2014: RMB75.0 million).

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

Pledge of Assets

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

Commitments

As of December 31, 2015, the Group has a total capital commitment of approximately RMB175.5 million (2014: RMB24.5 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

Contingent Liabilities

There is no material contingent liability as at December 31, 2015 (2014: Nil).

Capital Expenditure

During the year ended December 31, 2015, the Group incurred expenditure of RMB22.7 million on the purchase of property, plant and equipment; expenditure of RMB283.8 million on the construction under progress including facilities and production lines.

Gearing Ratio

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings are current borrowings as shown in the consolidated balance sheet plus amounts due to related parties of non-trading nature. Total capital is calculated as “total equity” as shown in the consolidated balance sheet plus total borrowings.

	As at December 31	
	2015	2014
	RMB'000	RMB'000
Total borrowings	—	75,000
Total equity	<u>2,298,665</u>	<u>2,111,326</u>
Total capital	<u>2,298,665</u>	<u>2,186,326</u>
Gearing ratio	<u>—</u>	<u>3.43%</u>

Foreign Exchange Risk

The Group mainly operates its business in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. 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 future.

All of the Group's bank borrowings and restricted cash are denominated in RMB. The currencies in which the cash and cash equivalents are denominated have been disclosed in Note 19 to the Group's consolidated financial statements.

Cash Flow and Fair Value Interest Rate Risk

Other than bank balances with variable interest rates, the Group has no other significant interest-bearing assets. 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 borrowings. Borrowings issued at variable rates exposed the Group to cash flow interest rate risk, which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates exposed the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risks.

Credit Risk

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and available-for-sale financial assets 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 the four largest state-owned commercial banks in China, or public listed companies. Most of the bank deposits of the Group are placed with financial commercial banks with a BBB+ or above Standard & Poor's credit rating. In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. We grant credit limits to certain customers in consideration of their payment history and business performance. Prepayment is usually required for orders placed over credit limits. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of the year to ensure adequate impairment losses are made for irrecoverable amounts.

EMPLOYEES

The Group had approximately 1,599 employees as at December 31, 2015 (2014: 1,670). 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.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 2015, the Company repurchased on the Stock Exchange a total of 17,312,000 shares of the Company at a total consideration of approximately HKD35.3 million. Such shares of the Company were cancelled on March 6, April 17, August 17, September 21 and December 28, respectively, during the year. Details of the share repurchases are summarized as follows:

Month of repurchase	Total number of shares repurchased	Repurchase price per share		Aggregate consideration HKD
		Highest HKD	Lowest HKD	
January 2015	2,765,000	3.25	3.18	8,919,302
March 2015	3,138,000	2.85	2.820775	8,917,924.4
July 2015	805,000	2.20	2.20	1,771,000
August 2015	1,000,000	1.60	1.58	1,597,100
September 2015	9,500,000	1.60	1.38	13,923,300
December 2015	104,000	1.52	1.51	158,048.8

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2015. The purchase of the Company's shares was made for the benefit of the Company's shareholders with a view to enhancing the net asset value per share and earnings per share of the Company.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2015 (2014: Nil).

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 hereof, the Company has maintained the public float as required under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Board believes that conducting the Group’s business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders. The Company has adopted the code provisions as set out in the “Corporate Governance Code” (the “**Code**”) as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the directors of the Company (the “**Directors**”), the Company has complied with the relevant code provisions contained in the Code during the year under review.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group’s senior management who, because of their office or employment, are likely to possess inside information in relation to the Company or its 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, 2015. 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, 2015.

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.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company (being comprised of Mr. Wang Xiaogang, Mr. Chen Geng and Mr. Lin Junshan) has reviewed with management the consolidated financial information of the Group for the year ended December 31, 2015, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

Review of Preliminary Announcement of Results by the Independent Auditor

The figures in respect of the Group's results for the year ended 31 December 2015 as set out in this preliminary announcement have been agreed by the Company's independent auditor, PricewaterhouseCoopers, Certified Public Accountants of Hong Kong ("**PricewaterhouseCoopers**") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement of results.

APPRECIATION

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

By Order of the Board
PW Medtech Group Limited
Yue'e Zhang
Chairman

Hong Kong, March 29, 2016

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