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, 2014

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2014 amounted to approximately RMB608.1 million, representing an increase of 33.0% from approximately RMB457.1 million recorded in 2013.

- Gross profit for the year ended December 31, 2014 amounted to approximately RMB442.9 million, representing an increase of 42.7% from approximately RMB310.4 million recorded in 2013.

- Profit attributable to owners of the Company for the year ended December 31, 2014 amounted to approximately RMB176.6 million, representing an increase of 126.7% from approximately RMB77.9 million recorded in 2013.

- Unaudited adjusted net profit in 2014, which was derived by excluding non-operational and one-off items comprising the merger and acquisition costs and the share-based compensation expenses (2013: one-off items comprising the listing-related expenses and the share-based compensation expenses) together with their income tax effects, was approximately RMB204.7 million, representing an increase by 45.5% over approximately RMB140.7 million in 2013.

- Basic earnings per share and diluted earnings per share in 2014 were RMB10.57 cents (2013: RMB6.24 cents) and RMB10.30 cents (2013: RMB6.11 cents), respectively, representing an increase of 69.4% and 68.6% from 2013, respectively.

BUSINESS AND MARKET REVIEW FOR YEAR 2014

For the year ended December 31, 2014, with the modest recovery of the global economy and the support of domestic consumption, the economy of the People's Republic of China (the "**PRC**" or "**China**") has maintained steady growth while still facing uncertainties. The continuous process of urbanization, increasing governmental investments into public healthcare sector and the aging population contributed to the increase in demand for quality medical services. This in turn brought significant growth opportunities for China's medical device industry. In recent years, China's medical device industry has been experiencing rapid growth due to the government's substantial investment in the healthcare sector, fast development of the public medical insurance system and high disease rate caused by the aging population.

PW Medtech Group Limited (the "**Company**" and, together with its subsidiaries, collectively the "**Group**"), is a leading medical device company focusing on fast-growing and high-margin segments of China's medical device industry. As one of the leading domestic companies 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 implant products (the "**Orthopedic Implant Business**") in China, the Company is well aware of the opportunities presented by its own competitive strengths and distinctive characteristics.

The regenerative medical biomaterial industry in China achieved significant progress in recent years. Regenerative medical biomaterial, a high-tech innovative material used for clinical diagnosis, treatment, repair or replacement on worn tissues or organs, is equipped with unique features comparing with traditional materials. With extensive application coverage, it could be used as a substitute for a variety of damaged tissues or organs, and is expected to become an industry trend to replace traditional materials in the future. The Group, as a top player in the regenerative medical biomaterial industry in China, will take full advantage of the favorable industry competition landscape to actively capture market share, in order to further consolidate its leading industry position.

China is the largest market for infusion sets in the world. The infusion set industry in China is experiencing a period of significant product innovation induced by increasing public health awareness about infusion safety, rising per capita annual disposable income in urban households and increasing government attention on PVC (polyvinyl chloride, a type of plastic material) risks. The sales of advanced infusion sets are expected to continue to grow at double digit growth rate, which will be higher than the growth of conventional infusion sets in the next ten years because an increasing number of low-end products will gradually be replaced by advanced infusion set products which are considered to be safer and less risky. Therefore, as a manufacturer focusing on advanced infusion sets, the Group continues to take advantage of its technical strength to fully respond to vast market demand, and further consolidate its market position in the advanced infusion set industry.

Orthopedic implant segment is a fast-growing sector in the medical device industry in China. Benefiting from the increasing per capita income and widening medical care coverage, the per capita healthcare expenditure is increasing progressively in China. The deepening healthcare reforms improved the healthcare infrastructure with more qualified medical staff for performing orthopedic surgeries, driving the orthopedic implant market in China to grow rapidly. However, orthopedic implants are less acceptable in the PRC than developed countries, such as the United States, implying a huge potential in the domestic market. Meanwhile, the increasing urban population will become a growth momentum to boost the orthopedic implant market. Among the three sub-categories of orthopedic implant products (trauma implants, spine implants and joint implants), trauma implant segment represents the largest share of the orthopedic implant market of China, although spine and joint implants show a higher growth rate than trauma implants. Benefiting from the expanding market demand of orthopedic implant products in China and their technical threshold, the orthopedic implant manufacturers with a full product line, technology know-how, robust research and development ("**R&D**") strength and the capability of unceasingly launching new products will achieve rapid growth.

As a result of sustained growth of all the three business segments in 2014, and with the completion of the acquisition of the Regenerative Medical Biomaterial Business, the Group has achieved significant growth over the past year.

In 2014, the Group's revenue, profit before tax and profit attributable to the owners of the Company were RMB608.1 million, RMB211.3 million and RMB176.6 million, representing an increase of 33.0%, 85.5% and 126.7% over 2013, respectively. After excluding non-operational and one-off items comprising (i) listing and merger and acquisition costs of RMB3.9 million (2013: RMB33.0 million), and (ii) share-based compensation expenses of RMB24.1 million (2013: RMB19.9 million) and their respective tax impact, the unaudited adjusted net profit increased by 45.5% to RMB204.7 million in 2014, from RMB140.7 million in 2013. In 2014, the Group recorded a gross profit of RMB442.9 million, representing an increase of 42.7% over 2013. The acquired Regenerative Medical Biomaterial Business had a higher gross profit margin than the other business segments, and the overall gross profit margin of the Group increased to 72.8% in 2014 (2013: 67.9%).

Business Strategies

As a leading company in the medical device industry in China, the Group has further expanded its product portfolio and manufacturing capacity, enhanced its innovation and R&D capabilities, extended domestic distribution network and diversified the product line by strategic acquisitions in 2014. Meanwhile, the Group successfully entered into the regenerative medical biomaterial segment, which has massive growth potential and prospects, and therefore created new growth drivers.

Acquisition of Tianxinfu Group and Expanding into the Regenerative Medical Biomaterial Segment

In August 2014, through two wholly-owned subsidiaries, the Company completed the acquisition of the 100% equity interest in Beijing Tianxinfu Medical Appliance Co., Ltd. (北京天新福醫療器材有限公司, "**Beijing Tianxinfu**") and its subsidiary (together, "**Tianxinfu Group**") at a total consideration of approximately RMB802.6 million. Beijing Tianxinfu is a high-tech enterprise engaged in the R&D, manufacturing and sales of regenerative medical biomaterial and orthopedic implant products.

Beijing Tianxinfu is a leading company in the regenerative medical biomaterial segment in China, with its major regenerative medical biomaterial products, including artificial dura mater, artificial spinal dura and artificial nerve sheath, widely used in neurosurgery areas in China. Beijing Tianxinfu's artificial dura mater are widely used in craniotomy operations and has the largest market share in Chinese artificial dura mater sales in 2013, according to market research performed by Frost and Sullivan, an independent third party industry consultant. The revenue of Regenerative Medical Biomaterial Business contributed for 96.2% of Beijing Tianxinfu's post acquisition sales. The regenerative medical biomaterial segment and neurosurgery segment are segments with massive growth potential and prospects in China's medical device industry. After completion of the acquisition and the successful integration of Beijing Tianxinfu's business in 2014, the Group expanded into the biomaterial segment and created new growth drivers by expanding into more medical applications of the biomaterial products in new areas with R&D investments and technology advancement (see also the sections headed "Expansion of Product Portfolio" and "Emphasis on Innovation and Research and Development" in this announcement). The Group has also obtained Beijing Tianxinfu's well established distribution network for neurosurgical medical devices, which is in a leading position in China (see also the section headed "Expansion of Distribution Network" in this announcement). With our continuing investment and allocation of experiences and resources in R&D, distribution and administrative management, we expect this segment will continue to create new growth drivers for the Group.

Expansion of Product Portfolio

As for Regenerative Medical Biomaterial Business, the Group has been working with large scale Class III hospitals to upgrade its current products to develop a series of regenerative medical biomaterial products with new applications, functions and features in order to diversify product portfolio. The product registration of a brand new product, namely antiadhesion membrane for tendon and ligament, has been obtained, and the product is expected to be launched in the first half of 2015. Meanwhile, the Group continues to develop the other two main pipeline products, namely the oral cavity membrane and second generation of artificial dura mater, of which the clinical trials will be started in 2015.

To deliver products for safer and more effective infusion treatments, the Group has been developing a series of advanced infusion set products with new functions, new features or new combinations of these advanced features. For precision filter infusion sets, we successfully obtained the product registrations of, and added into our product portfolio, the infusion sets with refined precision filter with pore size of 0.2 micon and light-resistant infusion pump tubing. For the non-PVC based infusion sets, we have obtained three new product registrations and launched new types of non-PVC infusion sets, expanding our non-PVC based infusion product portfolio with additional function of light-resistance, additional varieties of pore sizes of precision filters, and various combinations of these attributes.

The Orthopedic Implant Business has seen much progress in the Group's continuous research on optimizing the three main product categories: trauma products, spine products and joint products. For trauma products, the Group is further improving the bridge-link combined fixation system which was commercially launched in July 2012. For spine implants, the Group has successfully launched modified u-shape posterior spinal fixation system and instruments and modified thoracolumbar fusion cage and instruments in 2014.

Emphasis on Innovation and Research and Development

As a leader in development of innovative medical products in China, the Group currently possesses an experienced R&D team consisting of approximately 100 members. As at December 31, 2014, the Group had totally 44 Class-III medical device registration licenses and obtained 77 patents, including 8 licenses and 17 patents for regenerative medical biomaterial products, 10 licenses and 32 patents for infusion set products and 26 licenses and 28 patents for orthopedic implant products, and had applied for 16 licenses and 44 patents.

Expansion of Distribution Network

The Group operates a widespread and fast-growing nationwide distribution network, which covers 31 provinces, municipalities and autonomous regions in the PRC. The Group currently has three experienced and dedicated sales and marketing teams to support and consolidate the nationwide distribution network and strengthen product promotion. Approximately half of the sales and marketing staff have medical experience, among which, key salespersons in each business segment have an average of 10 years' experience in their respective areas. Their experience and expertise help them to communicate with doctors and nurses in a succinct and effective manner.

Increase of Production Capacity

Currently, the Group has one plant for the regenerative medical biomaterial segment in Changping District (Beijing), three plants for the orthopedic implant segment in Tianjin, Anyang (Henan Province) and Shenzhen (Guangdong Province), and two plants for the infusion set segment in Fengtai District (Beijing) and Xuzhou (Jiangsu Province). The Group is also planning to add two additional plants in Linyi (Shandong Province) and Pinggu District (Beijing) to expand its production capacity for infusion sets. Meanwhile, the Group plans to increase the production capacity of trauma and spine implants of the facility in Tianjin.

Development of Enterprise Resource Planning ("ERP") System

In response to the rapid business expansion in 2014, the Group has completed the application of the ERP system to our major business operations, including accounting and financial activities, order recording, order execution and inventory replenishment, as well as R&D-related information recording, in an effort to increase efficiency in business operation and corporate management. The newly acquired business of Beijing Tianxinfu is expected to finish the set up and installation of the ERP system in the first half of 2015.

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, 2014, together with the comparative figures for the year ended December 31, 2013, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2014

		Year ended December 31,	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**608,059**	457,083
Cost of sales	4	**(165,170)**	(146,656)
Gross profit		**442,889**	310,427
Selling expenses	4	**(94,224)**	(61,942)
Administrative expenses	4	**(108,037)**	(112,477)
Research and development expenses	4	**(35,181)**	(23,210)
Other gains — net	5	**8,310**	5,579
Operating profit		**213,757**	118,377
Finance income	6	**22,228**	6,774
Finance costs	6	**(24,663)**	(11,288)
Finance costs — net	6	**(2,435)**	(4,514)
Profit before income tax		**211,322**	113,863
Income tax expense	7	**(34,692)**	(22,860)
Profit for the year		**176,630**	91,003
Profit attributable to:			
Owners of the Company		**176,630**	77,905
Non-controlling interests		**—**	13,098
		176,630	91,003
Earnings per share attributable to the owners of the Company for the year (expressed in RMB cents per share)			
— Basic	8	**10.57**	6.24
— Diluted	8	**10.30**	6.11
Dividends	9	**—**	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**176,630**	91,003
Other comprehensive income:		
Items that may be reclassified subsequently 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	**103**	2,865
Other comprehensive income for the year, net of tax	**103**	2,865
Total comprehensive income for the year	**176,733**	93,868
Attributable to:		
— Owners of the Company	**176,733**	80,770
— Non-controlling interests	**—**	13,098
	176,733	93,868

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2014

		As at December 31,	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Land use rights		**64,662**	51,759
Property, plant and equipment	*10*	**389,580**	201,121
Intangible assets	*11*	**994,894**	305,263
Deferred income tax assets		**14,777**	8,385
Long-term prepayments		**32,536**	43,672
		1,496,449	610,200
Current assets			
Inventories	*12*	**101,121**	95,052
Trade and other receivables	*13*	**371,151**	241,268
Restricted cash	*14*	**260,000**	37,000
Cash and cash equivalents	*15*	**153,816**	1,145,641
		886,088	1,518,961
Total assets		**2,382,537**	2,129,161
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*16*	**1,036**	1,026
Share premium	*16*	**1,674,404**	1,647,840
Other reserves		**95,666**	87,407
Retained earnings		**339,053**	162,423
		2,110,159	1,898,696
Non-controlling interests		**1,167**	—
Total equity		**2,111,326**	1,898,696

		As at December 31,	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**65,316**	16,079
Deferred income		**7,282**	2,241
		72,598	18,320
Current liabilities			
Amounts due to related parties		**—**	66
Trade and other payables	*17*	**114,318**	114,513
Current income tax liabilities		**9,295**	4,566
Borrowings	*18*	**75,000**	93,000
		198,613	212,145
Total liabilities		**271,211**	230,465
Total equity and liabilities		**2,382,537**	2,129,161
Net current assets		**687,475**	1,306,816
Total assets less current liabilities		**2,183,924**	1,917,016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

	Attributable to owners of the Company						
	Share capital *RMB'000*	Share Premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2013	1	—	265,018	84,518	349,537	175,164	524,701
Comprehensive income							
Profit for the year	—	—	—	77,905	77,905	13,098	91,003
Other comprehensive income							
Currency translation differences	—	—	2,865	—	2,865	—	2,865
Total other comprehensive income, net of tax	—	—	2,865	—	2,865	—	2,865
Total comprehensive income	—	—	2,865	77,905	80,770	13,098	93,868
Changes in ownership interests in subsidiaries without change of control — transaction with non-controlling interest	—	—	(48,656)	—	(48,656)	(129,784)	(178,440)
Changes in ownership interests in subsidiaries without change of control — completion of re-organisation	—	—	82,254	—	82,254	(82,254)	—
Disposal of subsidiaries	—	—	—	—	—	(14,014)	(14,014)
Issuance of ordinary shares before initial public offering ("**IPO**")	58	555,987	(233,930)	—	322,115	—	322,115
Capitalisation of share premium	685	(685)	—	—	—	—	—
Issuance of new ordinary shares upon IPO	282	1,149,171	—	—	1,149,453	—	1,149,453
Share issuance cost	—	(56,633)	—	—	(56,633)	—	(56,633)
Share option reserve	—	—	19,856	—	19,856	—	19,856
Total contributions by and distributions to owners of the Company, recognised directly in equity	1,025	1,647,840	(180,476)	—	1,468,389	(226,052)	1,242,337
Non-controlling interests arising on business combination	—	—	—	—	—	37,790	37,790
Total transactions with owners, recognised directly in equity	1,025	1,647,840	(180,476)	—	1,468,389	(188,262)	1,280,127
Balance at December 31, 2013	1,026	1,647,840	87,407	162,423	1,898,696	—	1,898,696

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2014	**1,026**	**1,647,840**	**87,407**	**162,423**	**1,898,696**	**—**	**1,898,696**
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	—	—	(774)	—	(774)	—	(774)
Total other comprehensive income, net of tax	—	—	103	—	103	—	103
Total comprehensive income	—	—	103	176,630	176,733	—	176,733
Proceeds from employee share option exercised	10	10,582	—	—	10,592	—	10,592
Transfer to share premium upon exercise of share option	—	15,982	(15,982)	—	—	—	—
Share option reserve	—	—	24,138	—	24,138	—	24,138
Total contributions by and distributions to owners of the Company, recognised directly in equity	10	26,564	8,156	—	34,730	—	34,730
Non-controlling interests arising on business combination	—	—	—	—	—	1,167	1,167
Total transactions with owners, recognised directly in equity	10	26,564	8,156	—	34,730	1,167	35,897
Balance at December 31, 2014	1,036	1,674,404	95,666	339,053	2,110,159	1,167	2,111,326

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**138,084**	87,262
Interest paid	**(15,744)**	(5,184)
Income tax paid	**(36,240)**	(29,271)
Net cash generated from operating activities	**86,100**	52,807
Cash flows from investing activities		
Acquisition of subsidiaries-net of cash acquired	**(798,599)**	6,249
Disposal of subsidiaries	**3,000**	(228)
Purchases of property, plant and equipment	**(37,209)**	(28,559)
Purchases of construction in progress	**(142,109)**	(69,519)
Purchases of land use rights	**(4,568)**	(4,075)
Purchases of intangible assets	**(1,161)**	(77)
Proceeds from disposal of available-for-sale financial assets	**127,311**	—
Loans provided to related parties	**—**	(1,000)
Loan repayments received from related parties	**—**	1,000
Interest income on investment in structured products	**—**	31
Disposal of investment in structured products	**—**	3,000
Proceeds from disposal of property, plant and equipment	**827**	2,530
Net increase in restricted cash	**(223,000)**	(34,343)
Government grants relating to assets received	**5,400**	2,000
Net cash used in investing activities	**(1,070,108)**	(122,991)

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Cash flows from financing activities		
Proceeds from issuance of ordinary shares before IPO	**—**	322,115
Proceeds from issuance of new ordinary shares upon IPO	**—**	1,149,453
Proceeds from employee share option exercised	**10,592**	—
Share issuance cost	**—**	(56,633)
Cash paid for acquiring additional interests in subsidiaries without change of control	**—**	(358,440)
Proceeds from borrowings	**240,000**	192,000
Repayment of borrowings	**(258,000)**	(142,900)
Repayment of loan provided by a related party	**—**	(100,000)
Net cash (used)/generated from financing activities	**(7,408)**	1,005,595
Net (decrease)/increase in cash and cash equivalents	**(991,416)**	935,411
Cash and cash equivalents at beginning of the year	**1,145,641**	212,466
Exchange losses on cash and cash equivalents	**(409)**	(2,236)
Cash and cash equivalents at end of the year	**153,816**	1,145,641

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 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) infusion set products (the "**Infusion Set Business**") and (ii) orthopedic implant products (the "**Orthopedic Implant Business**") in the People's Republic of China (the "**PRC**" or "**China**"). During the year, the Group acquired control of Tianxinfu Group, which is principally engaged in the development, manufacturing and sale of regenerative medical biomaterial products (the "**Regenerative Medical Biomaterial Business**") in the PRC.

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 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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

(a) New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning on 1 January 2014 and are relevant to the Group

- Amendment to HKAS 32 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities.
- Amendment to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets.
- Amendment to HKAS 39 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting.
- HKFRIC21 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'.

The adoption of such standards and interpretations did not have any significant effect on the results or financial positions of the Group for the current year.

(b) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted

- Annual improvements 2012.
- Annual improvements 2013.
- Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operations.
- Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortization.
- Amendments to HKFRS 10 and HKAS 28 on the sale or contribution of assets between an investor and its associate or joint venture.
- Amendment to HKAS 27 on the equity method in separate financial statements.
- Annual improvements 2014.
- HKFRS 15 'Revenue from contracts with customers'.
- HKFRS 9 'Financial instruments'.

The Group is yet to assess the impact of such new and revised standards and amendments on the Group's consolidated financial statements.

(c) 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 as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive director of the Company. The executive director reviews 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 director considers the business from a product perspective, and determined that the Group has the following operating segments:

- Infusion Set Business — manufacturing and sale of advanced infusion sets;
- Orthopedic Implant Business — manufacturing and sale of orthopedic implant products, including the product category of trauma, spine and joints; and
- Regenerative Medical Biomaterial Business — manufacturing and sale of biomaterial duramax, duragide and artificial nerve.

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

Year ended December 31, 2013	Infusion Set Business *RMB'000*	Orthopedic Implant Business *RMB'000*	Total *RMB'000*
Revenue from external customers	317,391	139,692	457,083
Cost of sales	(108,769)	(37,887)	(146,656)
Gross profit	208,622	101,805	310,427
Selling expenses	(40,131)	(21,811)	(61,942)
Administrative expenses	(77,104)	(35,373)	(112,477)
Research and development expenses	(13,547)	(9,663)	(23,210)
Other gains-net	4,606	973	5,579
Segment profits	82,446	35,931	118,377
Finance income			6,774
Finance costs			(11,288)
Finance costs — net			(4,514)
Profit before tax			113,863
Segment assets	1,691,037	429,739	2,120,776
Deferred income tax assets			8,385
Total assets			2,129,161
Segment liabilities	161,809	52,577	214,386
Deferred income tax liabilities			16,079
Total liabilities			230,465
Other segment information			
Amortisation of land use right	827	60	887
Depreciation of property, plant and equipment	8,153	7,357	15,510
Amortisation of intangible assets	4,050	876	4,926

(a) Concentration of customers

Revenues of approximately RMB54,723,000 (2013: RMB53,485,000) 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,	
	2014	2013
	RMB'000	*RMB'000*
Raw materials and consumable used	**62,947**	76,336
Changes in inventories of finished goods and work in progress	**6,077**	1,911
Employee benefits expenses	**141,663**	108,832
Depreciation of property, plant and equipment	**24,043**	15,510
Advertising, promotions and business development costs	**50,812**	36,449
Office and communication expenses	**10,420**	7,109
Direct research costs	**24,527**	15,160
Travelling and entertainment expenses	**9,202**	7,153
Taxes and levies	**8,072**	4,892
(Reversal)/provision for impairment of receivables	**(978)**	3,280
Provision for impairment of inventories	**546**	42
Low-value consumables	**4,712**	3,281
Operating lease payments	**7,744**	6,176
Transportation costs	**6,524**	4,554
Amortisation of land use rights	**1,152**	887
Amortisation of intangible assets	**14,192**	4,926
Professional fee	**12,376**	3,040
Listing expenses	**—**	33,024
Auditors' remuneration	**2,400**	1,600
Utilities	**10,118**	8,325
Others	**6,063**	1,798
Total cost of sales, selling expenses, administrative expenses and research and development expenses	**402,612**	344,285

5 OTHER GAINS — NET

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Government grants		
— relating to costs	**5,390**	5,557
— relating to assets	**359**	159
Realised gain on available-for-sale financial assets	**2,311**	—
Sales of scraps	**637**	514
Loss on disposal of subsidiaries	**—**	(398)
Loss on disposal of property, plant and equipment	**(303)**	(749)
Others	**(84)**	496
	8,310	5,579

6 FINANCE COSTS — NET

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Finance income:		
— Interest income on short-term bank deposits	**(22,228)**	(6,774)
Finance costs:		
— Interest expense on bank borrowings	**15,744**	5,024
— Accretion of interest-free loan received from a related party	**—**	1,970
— Net foreign exchange loss	**8,919**	4,294
Total finance costs	**24,663**	11,288
Finance costs — net	**2,435**	4,514

7 INCOME TAX EXPENSE

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Current income tax	**40,969**	26,882
Deferred income tax	**(6,277)**	(4,022)
Income tax expense	**34,692**	22,860

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, 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%.

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.

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,	
	2014	2013
	RMB'000	*RMB'000*
Profit before income tax	**211,322**	113,863
Tax calculated at statutory tax rates applicable to profits in the respective countries	**52,831**	28,466
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	**(23,489)**	(9,782)
Tax losses for which no deferred income tax asset was recognised	**6,086**	4,158
Additional deductible allowance for research and development expenses *(i)*	**(2,101)**	(1,016)
Deemed income for tax purpose	**383**	369
Expenses not deductible for tax purpose	**982**	665
Tax charge	**34,692**	22,860

(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.

8 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.

	2014	2013
Profit attributable to equity holders of the Company *(RMB'000)*	**176,630**	77,905
Weighted average number of ordinary shares in issue *(thousands)*	**1,670,397**	1,247,860
Basic earnings per share *(RMB cents per share)*	**10.57**	6.24

(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.

	2014	2013
Profit attributable to equity holders of the Company *(RMB'000)*	**176,630**	77,905
Weighted average number of ordinary shares in issue *(thousands)*	**1,670,397**	1,247,860
Adjustments for share options *(thousands)*	**44,868**	27,458
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,715,265**	1,275,318
Diluted earnings per share *(RMB cents per share)*	**10.30**	6.11

9 DIVIDENDS

The Board does not propose a final dividend for the year ended December 31, 2014 (2013: Nil).

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities	Leasehold improvements	Furniture, fittings and office equipment	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2013							
Cost	67,707	8,166	4,839	44,755	5,927	2,973	134,367
Accumulated depreciation	(6,807)	(1,132)	(1,651)	(7,687)	(1,913)	—	(19,190)
Net book amount	60,900	7,034	3,188	37,068	4,014	2,973	115,177
Year ended December 31, 2013							
Opening net book amount	60,900	7,034	3,188	37,068	4,014	2,973	115,177
Additions	278	—	3,499	11,719	1,481	69,708	86,685
Acquisition of a subsidiary	15,209	—	127	3,635	60	—	19,031
Transfer	452	6,380	29	22,134	—	(28,995)	—
Disposals	(3,278)	—	—	—	(1)	—	(3,279)
Disposals of subsidiaries	—	(261)	(74)	(648)	—	—	(983)
Depreciation	(4,191)	(1,406)	(1,175)	(7,602)	(1,136)	—	(15,510)
Closing net book amount	69,370	11,747	5,594	66,306	4,418	43,686	201,121
At December 31, 2013							
Cost	79,367	14,050	8,304	81,113	7,161	43,686	233,681
Accumulated depreciation	(9,997)	(2,303)	(2,710)	(14,807)	(2,743)	—	(32,560)
Net book amount	69,370	11,747	5,594	66,306	4,418	43,686	201,121
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	**(5,801)**	**(2,202)**	**(1,518)**	**(13,189)**	**(1,333)**	**—**	**(24,043)**
Closing net book amount	**120,094**	**13,656**	**6,103**	**110,725**	**5,211**	**133,791**	**389,580**
At December 31, 2014							
Cost	**141,011**	**18,161**	**16,845**	**148,121**	**9,898**	**133,791**	**467,827**
Accumulated depreciation	**(20,917)**	**(4,505)**	**(10,742)**	**(37,396)**	**(4,687)**	**—**	**(78,247)**
Net book amount	**120,094**	**13,656**	**6,103**	**110,725**	**5,211**	**133,791**	**389,580**

As at December 31, 2014, the Group is still in the process of applying the building ownership certificates of certain buildings with the aggregated carrying amounts amounted to RMB14,927,000 (2013: RMB53,217,086).

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

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Cost of sales	**15,033**	10,521
Administrative expenses	**7,074**	3,991
Selling and marketing expenses	**791**	511
Research and development expenses	**1,145**	487
	24,043	15,510

As at December 31, 2014, no buildings were pledged for the Group's borrowings (2013: RMB5,844,000).

11 INTANGIBLE ASSETS

	Goodwill	Computer software	Trademarks	Technology know-how	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2013						
Cost	160,849	121	11,755	36,440	5,012	214,177
Accumulated amortisation	—	(99)	(1,306)	(4,049)	(1,392)	(6,846)
Net book amount	160,849	22	10,449	32,391	3,620	207,331
Year ended December 31, 2013						
Opening net book amount	160,849	22	10,449	32,391	3,620	207,331
Acquisition of a subsidiary	101,709	—	—	13,903	—	115,612
Additions	—	77	—	—	—	77
Disposal of subsidiaries	(12,831)	—	—	—	—	(12,831)
Amortisation charge	—	(26)	(784)	(3,280)	(836)	(4,926)
Closing net book amount	249,727	73	9,665	43,014	2,784	305,263
At December 31, 2013						
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	249,727	73	9,665	43,014	2,784	305,263

	Goodwill	Computer software	Trademarks	Technology know-how	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	**622,956**	**1,168**	**31,199**	**337,622**	**1,949**	**994,894**
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	**622,956**	**1,168**	**31,199**	**337,622**	**1,949**	**994,894**

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

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Cost of sales	**10,944**	3,281
Administrative expenses	**991**	26
Selling expenses	**2,257**	1,619
	14,192	4,926

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	Orthopedic Implant Business	Regenerative Medical Biomaterial Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2013	160,754	88,973	—	249,727
As at December 31, 2014	160,754	88,973	373,229	622,956

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, 2014 and 2013 are as follows:

	Infusion Set Business As at December 31,		**Orthopedic Implant Business As at December 31,**		**Regenerative Medical Biomaterial Business As at December 31,**	
	2014	2013	**2014**	2013	**2014**	2013
Gross margin	**64.0%**	60.0%	**75.0%**	70.0%	**90%**	Not applicable
Growth rate	**2.5%**	2.5%	**2.5%**	2.5%	**4%**	Not applicable
Discount rate	**17.6%**	17.6%	**17.6%**	17.6%	**16%**	Not applicable

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.

12 INVENTORIES

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Raw materials	**33,886**	29,397
Work in progress	**19,805**	20,276
Finished goods	**47,430**	45,379
Cost of inventories	**101,121**	95,052

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB78,247,000 and RMB69,024,000 for the years ended December 31, 2013 and 2014 respectively.

As at December 31, 2014 and 2013, the ageing analysis of the inventories is as follows:

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Within 12 months	**76,211**	84,189
1 year to 2 years	**19,780**	5,250
Over 2 years	**5,130**	5,613
	101,121	95,052

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

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
As at January 1	**7,570**	7,528
Provision for impairment of inventories	**546**	42
As at December 31	**8,116**	7,570

13 TRADE AND OTHER RECEIVABLES

Group

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**339,498**	212,489
Less: provision for impairment	**(6,871)**	(7,849)
Trade receivables — net *(a)*	**332,627**	204,640
Bills receivable *(b)*	**992**	—
Prepayments	**8,286**	7,285
Receivables from disposal of subsidiaries	**12,520**	15,520
Other receivables *(c)*	**16,726**	13,823
	371,151	241,268

As at December 31, 2014 and 2013, 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, 2014 and 2013, the carrying amount of the trade and other receivables is denominated in RMB.

(a) As at December 31, 2014 and 2013, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Up to 3 months	**144,552**	101,358
3 to 6 months	**80,059**	48,657
6 months to 12 months	**89,230**	45,253
1 year to 2 years	**16,761**	7,129
2 years to 3 years	**2,025**	2,243
	332,627	204,640

Trade receivables arose mainly from Infusion Set Business and Orthopedic Implant Business, as sale 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.

As of December 31, 2014 and 2013, trade receivables of RMB6,871,000 and RMB7,849,000 were past due and impaired, respectively. The impairment provision was RMB6,871,000 and RMB7,849,000 as at December 31, 2014 and 2013, respectively. It was assessed that a portion of the receivables is expected to be recovered. The individually impaired receivables mainly relate to certain customers, which are in unexpected difficult economic situations.

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

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
As at January 1	**7,849**	4,569
(Reversal)/provision for impairment of receivables	**(978)**	3,280
As at December 31	**6,871**	7,849

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

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

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Interest receivable	**6,198**	2,882
Advances to employees	**2,890**	4,908
Receivables on government grants	**2,400**	—
Deposits	**1,936**	4,512
Receivables from disposal of property, plant and equipment	**1,480**	—
Others	**1,822**	1,521
	16,726	13,823

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.

14 RESTRICTED CASH

Group

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Restricted bank deposit	**260,000**	37,000

The restricted cash represents guaranteed deposits held in a separate reserve account pledged to the bank as security deposits under bank borrowing agreements. The original borrowing amount was RMB240 million for the purpose of acquisition of Tianxinfu Group. After the acquisition, the borrowing amount was decreased to RMB75 million and the aforesaid guarantee will be released in May 2015. The carrying amount of the restricted cash is denominated in RMB.

15 CASH AND CASH EQUIVALENTS

Group

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Cash on hand	**955**	688
Cash at banks	**144,361**	203,953
Short-term bank deposits	**8,500**	941,000
	153,816	1,145,641

Short-term bank deposits are denominated in RMB and with original maturity within 3 months. The effective interest rate of these deposits for the year ended December 31, 2014 was 3.78% (2013: 3.20%).

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

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
RMB	**127,767**	1,031,144
HKD	**16,388**	39,979
USD	**9,557**	74,518
EUR	**104**	—
	153,816	1,145,641

The conversion of RMB into foreign currencies for the purpose of dividends is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

16 SHARE CAPITAL AND SHARE PREMIUM

As at December 31, 2014, total authorized share capital of the Company comprised 5,000,000,000 ordinary shares (2013: 5,000,000,000 ordinary shares) with par value of USD0.0001 per share (2013: USD0.0001 per share).

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		USD'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2013	100	0.1	1	—	1
Share split *(a)*	999,900	—	—	—	—
Issuance of ordinary shares *(b)*	93,274,345	9.3	58	555,987	556,045
Capitalisation of share premium *(c)*	1,105,725,655	111	685	(685)	—
Issuance of new ordinary shares upon IPO *(d)*	460,000,000	46	282	1,149,171	1,149,453
Share issuance cost *(e)*	—	—	—	(56,633)	(56,633)
Balance at December 31, 2013	1,660,000,000	166.4	1,026	1,647,840	1,648,866
Balance at January 1, 2014	**1,660,000,000**	**166.4**	**1,026**	**1,647,840**	**1,648,866**
Proceeds from employee share options exercised *(f)*	**16,926,761**	**1.7**	**10**	**10,582**	**10,592**
Transfer from other reserves upon exercise of share option *(g)*	**—**	**—**	**—**	**15,982**	**15,982**
Balance at December 31, 2014	**1,676,926,761**	**168.1**	**1,036**	**1,674,404**	**1,675,440**

(a) On January 22, 2013, the Board approved a share split of the Company's share capital at a ratio of 1 to 10,000. Immediately after this split, the Company re-classified authorised capital into 500,000,000 ordinary shares of par value of USD0.0001 each.

(b) During the period from February 4, 2013 to July 11, 2013, pursuant to the written resolutions of all the shareholders of the Company, the Company issued 93,274,345 shares with a nominal value of USD0.0001 each to its existing shareholders. Among these 93,274,345 shares:

— 37,000,000 shares were subscribed for at a total cash consideration of USD37,000,000 (equivalent to RMB233,930,000). The cash contribution of USD37,000,000 (equivalent to RMB233,930,000) was received before December 31, 2012 and recorded as other reserves as at December 31, 2012. On February 4, 2013, upon the issuance of the shares, such other reserves were transferred to share capital and share premium.

— 34,615,675 shares were subscribed for at a total cash consideration of USD52,737,000 (equivalent to RMB322,012,000) received during the year. The newly issued shares have the same characteristics with those previously issued.

— Pursuant to an instrument of transfer on July 11, 2013, the Company acquired 100% equity interests in PWM Investment Holdings Company Limited, which contain the Orthopedic Implant Business, from each of its existing shareholders, namely, Cross Mark Limited, WP X Asia Medical Devices Holdings Limited and Sparkle Wealthy Limited and the consideration is satisfied by the Company issuing and allotting 21,658,670 new shares. The newly issued shares have the same characteristics with those previously issued.

(c) Pursuant to a written resolution of all the shareholders of the Company passed on October 14, 2013, 1,105,725,655 ordinary shares of the Company were issued at par value as fully paid in proportion to their then existing shareholdings in the Company. The amount was paid up in full by applying an amount of RMB685,000 standing to the credit of the share premium account of the Company.

(d) On November 8, 2013 and November 21, 2013, upon its listing on the Main Board of The Stock Exchange of Hong Kong Limited and upon the exercise of over-allotment option, the Company issued 400,000,000 new ordinary shares and 60,000,000 new ordinary shares at par value of USD0.0001 per share for cash consideration of HKD3.18 each respectively, and raised gross proceeds of approximately HKD1,462,800,000 (equivalent to RMB1,149,453,000).

(e) Share issuance cost mainly included underwriting commission, lawyer's fees, reporting accountant's fee and other related costs. Incremental costs that were directly attributable to the issue of the new ordinary shares amounting to RMB56,633,000 was treated as a deduction from share premium. Other share issuance costs which were not directly attributable to the issue of the new ordinary shares amounting to RMB33,024,000 were recognised as expenses in the consolidated income statement.

(f) Options exercised during the year ended December 31, 2014 resulted in 16,926,761 shares being issued, with exercise proceeds HKD13,335,000 (equivalent to RMB10,592,000). The related weighted average price at the time of exercise was HKD3.85 per share.

(g) Upon exercise of share options, share option reserve amounting to RMB15,982,000 was transferred to share premium.

17 TRADE AND OTHER PAYABLES

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Trade payables	**29,126**	33,874
Salary and staff welfare payables	**34,350**	24,431
Advances from customers	**17,249**	9,801
Provisions for sales rebate	**9,049**	—
Deposits	**5,296**	940
Payables for purchase of land use rights	**3,901**	8,000
Value added tax and other taxes	**1,837**	5,906
Auditors' remuneration	**800**	1,600
Professional fee	**267**	—
Consideration payable for transaction with non-controlling interests	**—**	9,712
Research and development expenses payables	**—**	2,400
Listing expenses	**—**	8,615
Other payables	**12,443**	9,234
	114,318	114,513

As at December 31, 2014 and 2013, 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, 2014 and 2013, the ageing analysis of the trade payables based on invoice date is as follows:

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Up to 3 months	**25,941**	26,713
3 months to 6 months	**538**	3,768
6 months to 12 months	**1,777**	2,978
1 year to 2 years	**721**	126
2 years to 3 years	**12**	278
Over 3 years	**137**	11
	29,126	33,874

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

18 BORROWINGS

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Current bank borrowings — secured/guaranteed *(a)*	**75,000**	93,000

(a) The details of the secured/guaranteed borrowings are as follows:

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Secured by the pledge of restricted cash with an aggregate carrying amount of RMB37,000,000 at December 31, 2013 and RMB260,000,000 at December 31, 2014	**75,000**	35,000
Secured by the pledge of buildings with an aggregate carrying amount of RMB5,844,000 at December 31, 2013	**—**	15,000
Secured by the pledge of land use right with an aggregate carrying amount of RMB27,928,000 at December 31, 2013	**—**	25,000
Guaranteed by He Zhibo, a senior management of the Group	**—**	10,000
Jointly guaranteed by Wu Dong, a senior management of the Group, and his family member	**—**	8,000
	75,000	93,000

All of the Group's borrowings are denominated in RMB.

The maturity of the borrowings is as follows:

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
On demand or within 1 year	**75,000**	93,000

The weighted average effective interest rates at each balance sheet date were as follows:

	As at December 31,	
	2014	2013
Current bank borrowings	**7%**	7%

The fair value of the borrowings approximated their carrying amount, as the impact of discounting is not significant.

19 BUSINESS COMBINATION

Acquisition of Tianxinfu Group

On August 1, 2014, Health Forward Holdings Limited and Fert Technology acquired 70% and 30% equity interest in Tianxinfu Group, at a cash consideration of RMB561,842,000 and RMB240,790,000, respectively.

As a result of the acquisition, the Group is expected to gain entry into Regenerative Medical Biomaterial Business. The goodwill of RMB373,229,000 arising from the acquisition is attributable to the synergy between Tianxinfu Group and the Group from consolidating the production and operation of the existing land use right, building and production line. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the acquisition of Tianxinfu Group, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

Consideration paid:	
	RMB'000
At August 1, 2014	
— Cash consideration	802,632
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	24,681
Land use right	13,586
Intangible assets — technology know-how	306,477
Intangible assets — trademark	22,956
Deferred income tax assets	2,651
Inventories	9,602
Trade and other receivables	1,520
Available-for-sale financial assets	126,537
Cash and cash equivalents	4,033
Trade and other payables	(29,700)
Deferred income tax liabilities	(51,773)
Total identifiable net assets	**430,570**
Non-controlling interest	(1,167)
Goodwill	373,229
Total	**802,632**

20 SUBSEQUENT EVENTS

The Company repurchased 2,765,000 shares in January 2015 at a total consideration of HK$8,919,000. The shares have subsequently been cancelled in March 2015.

FINANCIAL REVIEW

Overview

	For the year ended December 31,		
	2014	2013	**Change %**
	RMB'000	*RMB'000*	
	(except for EPS)	*(except for EPS)*	
Revenue			
— Infusion Set Business	**362,788**	317,391	14.3%
— Orthopedic Implant Business	**165,760**	139,692	18.7%
— Regenerative Medical Biomaterial Business	**79,511**	—	N/A
Total revenue	**608,059**	457,083	33.0%
Gross Profit	**442,889**	310,427	42.7%
Earnings before interests, tax, depreciation and amortization ("**EBITDA**")	**266,453**	142,180	87.4%
Earnings before interests and tax ("**EBIT**")	**227,066**	120,857	87.9%
Profit for the year	**176,630**	91,003	94.1%
Profit attributable to owners of the Company	**176,630**	77,905	126.7%
Unaudited adjusted EBITDA[(1)]	**294,501**	195,060	51.0%
Unaudited adjusted EBIT[(1)]	**255,114**	173,737	46.8%
Unaudited adjusted net profit[(1)]	**204,678**	140,686	45.5%
Basic earnings per share ("**EPS**", in RMB cents)	**10.57**	6.24	69.4%
Diluted EPS (RMB cents)	**10.30**	6.11	68.6%

(1) Unaudited adjusted net profit, unaudited adjusted EBIT and unaudited adjusted EBITDA were derived by excluding non-operational and one-off items, comprising share-based compensation expenses, listing-related expenses (incurred in year 2013), merger and acquisition costs (incurred in year 2014) and their income tax effects (if any), from our profit, EBIT and EBITDA for the years ended December 31, 2014 and 2013.

Revenue

The revenue of the Group increased by 33.0% from RMB457.1 million in 2013 to RMB608.1 million in 2014, reflecting an increase in the sale of Infusion Set Business and Orthopedic Implant Business, together with the additional revenue contributed by the newly acquired subsidiaries of Regenerative Medical Biomaterial Business since the completion of the acquisition in August 2014.

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 2014) amounted to approximately RMB79.5 million, which accounts for approximately 13.1% of the Group's revenue for the year ended December 31, 2014.

According to the unaudited management accounts of the relevant subsidiaries comprising the Regenerative Medical Biomaterial Business for the year ended December 31, 2014, prepared under HKFRS, the Regenerative Medical Biomaterial Business revenue of the relevant subsidiaries in 2014 was approximately RMB175.8 million, which increased by 21.4% comparing to the relevant subsidiaries' Regenerative Medical Biomaterial Business sales of RMB144.8 million in 2013. 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 RMB362.8 million in 2014, representing an increase of 14.3% from 2013. The increase is mainly derived from the rapid growth in the sales of non-PVC-based infusion sets, the expansion of the Company's sales network and the increased recognition of its advanced infusion set products.

Revenue from the Orthopedic Implant Business amounted to RMB165.8 million in 2014, representing an increase of 18.7% from 2013, which is mainly attributable to the introduction of new spine products, the expansion of the Company's sales network and the consolidation of Beijing Tianxinfu's post-acquisition orthopedic implant sales amounted to approximately RMB3.1 million.

Gross Profit

The Group's gross profit increased by 42.7% from approximately RMB310.4 million in 2013 to approximately RMB442.9 million in 2014. The gross profit margin increased from 67.9% in 2013 to 72.8% in 2014, which is primarily attributable to the acquisition of the Regenerative Medical Biomaterial Business with a higher gross margin, together with enhanced economies of scale. The product mix changed with more sales in higher margin products in the Infusion Set Business in 2014. For the Orthopedic Implant Business, the Group has ceased, or decreased the proportion of, the sales of certain low margin products.

The gross profit rate of the Group's Regenerative Medical Biomaterial Business was 85.1%, which included effect of the additional cost of sales from the amortization of the intangible assets of technology know-how identified and recorded in the Group's consolidated financial statement during the purchase accounting process under HKFRS (see the section headed "Intangible assets" for details) amounted to RMB8.5 million for the five months ended December 31, 2014. By excluding the effect of above mentioned amortization of the intangible assets identified from the purchase accounting process under HKFRS so as to be at a comparable basis with this segment's pre-acquisition performance, the gross profit rate of the Group's Regenerative Medical Biomaterial Business would have been 95.8%.

Selling Expenses

Selling expenses increased by 52.2% from approximately RMB61.9 million in 2013 to approximately RMB94.2 million in 2014. This increase was mainly attributable to the additional selling expense incurred by the newly acquired Regenerative Medical Biomaterial Business, and the Group's additional efforts in expanding the sales team and sales network in the Infusion Set Business and the Orthopedic Implant Business.

Administrative Expenses

Administrative expenses decreased by 4.0% from approximately RMB112.5 million in 2013 to approximately RMB108.0 million in 2014. By excluding the share-based compensation cost of approximately RMB24.1 million (2013: approximately RMB19.9 million), non-recurring merger and acquisition costs relating to the acquisition of Tianxinfu Group in 2014 of approximately RMB3.9 million (2013: non-recurring listing expenses amounted to approximately RMB33.0 million), the normalized administrative expenses increased by 34.2%, mainly due to the additional administrative expenses incurred by the acquired Regenerative Medical Biomaterial Business, together with the increased remuneration for employees and third-party professionals and the increase in other managerial expenses after the Company being listed in November 2013.

R&D Expenses

R&D expenses increased by 51.7% from approximately RMB23.2 million in 2013 to approximately RMB35.2 million in 2014, mainly due to the expansion of the R&D team, the increased investment in R&D, together with the R&D expenses incurred by the acquired Regenerative Medical Biomaterial Business.

Finance Expenses — Net

The net finance expense decreased slightly by RMB2.1 million, as a result of increased finance income partly offset by increased finance costs. Finance income increased by approximately RMB15.4 million from approximately RMB6.8 million in 2013, to approximately RMB22.2 million in 2014, primarily due to the interest income derived from the bank deposits of the unused IPO proceeds. The finance costs in 2014 increased by approximately RMB13.4 million from approximately RMB11.3 million in 2013 to approximately RMB24.7 million, mainly due to the interest expenses incurred for the additional short-term bank borrowings to finance the consideration paid by a wholly owned domestic subsidiary of the Group for the acquisition of the Regenerative Medical Biomaterial Business, before the administrative procedures to inject the overseas fund into the above mentioned domestic subsidiary being completed.

Income Tax Expense

For the year ended December 31, 2014, income tax expense amounted to approximately RMB34.7 million, increased by approximately RMB11.8 million as compared with the corresponding period last year. The effective tax rate decreased from 20.1% for the corresponding period last year to 16.4% in 2014. The main reason for the decrease was that certain non-deductible expenses incurred in 2013 (mainly the listing-related expenses), which increased the Group's overall 2013 effective tax rate, were non-recurring in nature and no longer had an effect on the Group's overall effective tax rate in 2014.

Net Profit and Unaudited Adjusted Net Profit

For the foregoing reasons, the net profit of the Group in 2014 increased by 94.1%, from approximately RMB91.0 million in 2013 to RMB176.6 million in 2014.

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 by eliminating the impact of items that we do not consider as performance indicators of our business. Our unaudited adjusted net profit in 2014, derived by excluding 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 (2013: one-off items comprising the listing-related expenses of approximately RMB33.0 million and the share-based compensation expenses of RMB19.9 million) together with the corresponding income tax expense, was approximately RMB204.7 million, which represented an increase by 45.5% over approximately RMB140.7 million in 2013.

Trade and Other Receivables

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

As of December 31, 2014, the trade and other receivables of the Group were approximately RMB371.2 million, representing an increase of approximately RMB129.9 million, as compared to approximately RMB241.3 million as of December 31, 2013. The increase of trade and other receivables included the increase of trade receivables of approximately RMB128.0 million in 2014. The increase of trade receivables is mainly due to the increase in sales and prolonged credit period for sales made to hospitals and distributors.

Inventories

Inventories slightly increased by 6.3%, from approximately RMB95.1 million as of December 31, 2013 to approximately RMB101.1 million as of December 31, 2014. The increase of inventories was mainly due to the additional inventories of the newly acquired Regenerative Medical Biomaterial Business.

Property, Plant and Equipment

Property, plant and equipment included buildings, machinery and equipment and construction under progress. As of December 31, 2014, the property, plant and equipment of the Group amounted to approximately RMB389.6 million, representing an increase of approximately RMB188.5 million, as compared to approximately RMB201.1 million as of December 31, 2013. 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. As of December 31, 2014, the net value of the Group's intangible assets was RMB994.9 million, representing an increase of RMB689.6 million as compared to RMB305.3 million as of December 31, 2013. The increase was primarily due to the goodwill of RMB373.2 million, and the technology know-how and trademarks of RMB329.4 million identified separately from the consideration paid for the acquisition of Tianxinfu Group (see the section headed "Acquisition of Tianxinfu Group and Expanding into the Regenerative Medical Biomaterial Segment" for details of the acquisition) in accordance with HKFRS. 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 from August 1, 2014. The amortization of the intangible assets identified from the consideration paid for the acquisition of Tianxinfu Group for the five months ended December 31, 2014 was RMB9.2 million, of which RMB8.5 million was included in the cost of goods sold before gross profit margin and RMB0.7 million was included in the selling expenses.

Financial Resources and Liquidity

As at December 31, 2014, the Group's cash and bank balances amounted to approximately RMB153.8 million (2013: RMB1,145.6 million) and the Group's restricted cash balances amounted to approximately RMB260 million (2013: RMB37 million). As at December 31, 2014, the Group's bank borrowing balances amounted to approximately RMB75 million (2013: RMB93 million). The decrease in cash and bank was primarily due to the cash consideration of RMB802.6 million paid for the acquisition of Beijing Tianxinfu, and the increase in restricted cash.

As at December 31, 2014, the weighted average effective interest rate of the Group's current bank borrowings was 7.0% (2013: 7.0%), and none of the Group's current bank borrowings was at a fixed interest rate. 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

Details of the Group's bank loans which are secured by the assets of the Group are included in Note 18 to the Group's consolidated financial statements. Save as disclosed in this announcement, 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, 2014, the Group has a total capital commitment of approximately RMB24.5 million, comprising mainly contracted capital expenditure for property, plant and equipment.

Contingent Liabilities

There is no material contingent liability as at December 31, 2014.

Capital Expenditure

During the year ended December 31, 2014, the Group incurred expenditure of RMB1.2 million on the purchase of intangible assets including computer software; expenditure of RMB37.2 million on the purchase of property, plant and equipment; expenditure of RMB142.1 million on the construction under progress including facilities and production lines; and expenditure of RMB4.6 million on the acquisition of land use right.

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,	
	2014	2013
	RMB'000	*RMB'000*
Total borrowings	**75,000**	93,066
Total equity	**2,111,326**	1,898,696
Total capital	**2,186,326**	1,991,762
Gearing ratio (%)	**3.43%**	4.67%

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 Hong Kong dollar and 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 15 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, and trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems. The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are 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 higher 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 and past history of making payments, taking into account the information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. We grant credit limits to certain customers with reference to 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 each year to ensure adequate impairment losses are made for irrecoverable amounts.

OUTLOOK AND FUTURE BUSINESS STRATEGIES

Looking forward, due to the continuous aging population, steady economic growth, expansion in public health investment, changing lifestyle, expansion of nationwide healthcare insurance and urbanization in China, China's medical device market, especially the medical consumables market, will continue to enjoy sustainable and healthy growth. The industry's growth is also expected to be impacted by the government's new policies in the medical and health care industries, especially in the areas of tendering and medical reimbursement.

In order to fully seize the great market opportunities in the regenerative medical biomaterial, advanced infusion set and orthopedic implant markets, the Group's plan for further development in the coming year and future will focus on the following five key strategies:

Expansion of Product Portfolio

The Group will continue to broaden its product portfolio by strengthening its R&D efforts and entering into strategic acquisitions.

As for the Regenerative Medical Biomaterial Business, the Group will continue to work with large scale Class III hospitals to upgrade the current products and develop a series of new regenerative medical biomaterial products with new applications, functions and features in order to diversify product portfolio. Further to the launch of brand new products of anti-adhesion membrane for tendon and ligament in the first half of 2015, as the product registration has been completed in the first quarter of 2015, the Group will continue to accelerate the product registration process for oral cavity membrane and second generation of artificial dura mater, of which the clinical trial will be started in 2015.

As for the Infusion Set Business, with a view to delivering safer and improved infusion treatments, the Group plans to develop a series of new advanced infusion set products with new functions and features. The Group will also expand the non-PVC-infusion set portfolio by introducing new features and broadened applications to non-PVC-infusion sets.

As for the Orthopedic Implant Business, the Group will continue to research on optimizing the three main product categories: trauma products, spine products and joint products. The Group will continue to work on both the initial introduction of brand new products (for example, the trabecular metal product currently under development) and the improvement of existing products in trauma and spine segments. The Group will continue to devise new ideas and develop advanced materials to satisfy varied patient demands for the hip and knee implants.

Emphasis on Innovation and Research and Development

The Group will continue to invest in product innovation and R&D in future, and cooperate closely with surgeons, hospitals, university research centers and other research institutions to integrate results from R&D and develop products which meet market demands.

Expansion of Distribution Network

In response to the ever-increasing market demand, the Group will continue to make efforts in developing the sales and marketing teams in order for them to support the Group's extensive distribution network and, promote the Group's products and brand name to surgeons, nurses and hospitals. After the acquisition of Beijing Tianxinfu, the Group obtained one of the largest distribution networks in China in neurosurgical area, covering approximately one thousand hospitals with over 150 distributors. In relation to the Infusion Set Business and Regenerative Medical Biomaterial Business, the Group will focus initially on the Class III hospitals in larger-than-average cities in the more developed regions of China, and then penetrate into smaller hospitals and cities. For the Orthopedic Implant Business, the Group will continue to focus on expanding its business with Class II hospitals in the second and third tier cities, and concentrate on developing sales and marketing capabilities for the joint implant business.

Increase Production Capacity

In view of the growing potential of the orthopedic implant market in China, the increasingly popular advanced infusion sets are now replacing conventional infusion sets. In the next 3 to 5 years, the Group will continue to invest in its existing plants, including those in use, and those under construction, to expand its production capacity for advanced infusion sets. Meanwhile, the Group sets to increase the production capacity of the facility in Tianjin for trauma and spine implants.

Strategic Acquisitions

In previous years, the Group has successfully expanded its product portfolio, obtained patented technologies and recruited R&D talents through strategic acquisitions. At the same time, the Group has taken an effective approach to integrate the acquired businesses by means of improving management, expanding distribution network and strengthening marketing approaches, resulting in improved operational efficiency and profitability, strengthened support to fast business growth and consolidated market leadership. In the coming years, the Group will continue to identify fast-growing, high-margin and high-potential opportunities in the medical device industry by utilizing its capabilities on strategic acquisitions, which will in turn provide support to the rapid business growth and consolidate market leadership in the medical device industry.

EMPLOYEES

As at December 31, 2014, the Group had a total of approximately 1,670 employees. 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 and qualifications and general market conditions.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended December 31, 2014. (See also Note 20 to the Group's consolidated financial statements for the share repurchase in 2015 up to the date of this announcement).

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR 2015 AGM

For determining the entitlement to attend and vote at the 2015 annual general meeting to be held on June 2, 2015 ("**2015 AGM**"), the register of members of the Company will be closed from May 28, 2015 to June 2, 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2015 AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on May 27, 2015.

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 by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year under review.

CORPORATE GOVERNANCE

The Company recognises 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 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 code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

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

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company (comprising Mr. Wang Xiaogang, Mr. Chen Geng and Mr. Lin Junshan) has reviewed with management the consolidated financial information for the year ended December 31, 2014, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the announcement of the Group's results for the year ended December 31, 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited 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 the results announcement.

APPRECIATION

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

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

Hong Kong, March 20, 2015

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