PW MEDTECH GROUP LIMITED

普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations for the six months ended June 30, 2017 amounted to approximately RMB258.3 million, representing a decrease of 2.4% from approximately RMB264.5 million for the corresponding period in 2016.

- Gross profit from continuing operations for the six months ended June 30, 2017 amounted to approximately RMB187.8 million, representing a decrease of 4.2% from approximately RMB196.1 million for the corresponding period in 2016.

- Profit attributable to owners of the Company arises from continuing operations for the six months ended June 30, 2017 amounted to approximately RMB81.7 million, representing a decrease of 24.3% from approximately RMB108.0 million for the corresponding period in 2016.

In this announcement "we", "us" and "our" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board of directors (the "**Board**") of PW Medtech Group Limited (the "**Company**" and, together with its subsidiaries, collectively the "**Group**") is pleased to announce the unaudited interim condensed consolidated financial results of the Group for the six months ended June 30, 2017 (the "**Relevant Period**"), together with the comparative figures for the corresponding period in 2016 or other date/period as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2017

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
			(Restated)
Continuing operations			
Revenue	*6*	**258,314**	264,531
Cost of sales	*6*	**(70,479)**	(68,439)
Gross profit		**187,835**	196,092
Selling expenses		**(43,306)**	(33,586)
Administrative expenses		**(32,329)**	(32,640)
Research and development expenses		**(11,079)**	(9,493)
Other gains — net	*21*	**7,222**	4,890
Operating profit		**108,343**	125,263
Finance income — net		**1,476**	1,775
Profit before income tax		**109,819**	127,038
Income tax expenses	*22*	**(18,306)**	(19,985)
Profit for the period from continuing operations		**91,513**	107,053
Discontinued operations			
Profit for the period from discontinued operations	*23*	**—**	10,837
Profit for the period		**91,513**	117,890
Profit attributable to:			
Owners of the Company		**81,717**	118,835
Non-controlling interests		**9,796**	(945)
		91,513	117,890
Profit attributable to owners of the Company arises from:			
Continuing operations		**81,717**	107,998
Discontinued operations		**—**	10,837
		81,717	118,835

	Note	Unaudited Six months ended 30 June **2017**	 2016 (Restated)
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the period (expressed in RMB cents per share)			
Basic earnings per share	*27*		
From continuing operations		**5.17**	6.57
From discontinued operations		**—**	0.66
From profit for the period		**5.17**	7.23
Diluted earnings per share	*27*		
From continuing operations		**5.16**	6.52
From discontinued operations		**—**	0.65
From profit for the period		**5.16**	7.17

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2017

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Profit for the period	**91,513**	117,890
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Change in value of available-for-sale financial assets	**3,930**	95
Currency translation differences	**(56)**	934
Other comprehensive income for the period, net of tax	**3,874**	1,029
Total comprehensive income for the period	**95,387**	118,919
Total comprehensive income for the period attributable to:		
— Owners of the Company	**84,805**	119,864
— Non-controlling interests	**10,582**	(945)
Total comprehensive income for the period	**95,387**	118,919
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	**84,805**	109,027
Discontinued operations	**—**	10,837
	84,805	119,864

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2017

	Note	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
Assets			
Non-current assets			
Land use rights	*7*	**60,237**	60,937
Property, plant and equipment	*8*	**830,440**	687,236
Intangible assets	*9*	**828,270**	841,381
Deferred income tax assets	*19*	**3,874**	4,357
Long-term prepayments	*11*	**4,923**	3,455
		1,727,744	1,597,366
Current assets			
Inventories	*12*	**64,048**	53,745
Trade and other receivables	*13*	**269,141**	686,437
Available-for-sale financial assets	*10*	**600,373**	—
Cash and cash equivalents	*14*	**415,739**	149,563
		1,349,301	889,745
Total assets		**3,077,045**	2,487,111
Equity			
Equity attributable to owners of the Company			
Share capital	*15*	**973**	979
Share premium	*15*	**1,511,415**	1,528,311
Treasury shares	*15*	**—**	(8,890)
Other reserves	*16*	**406,514**	71,354
Retained earnings		**824,301**	742,584
		2,743,203	2,334,338
Non-controlling interests		**177,643**	(336)
Total equity		**2,920,846**	2,334,002

	Note	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	*19*	**51,941**	53,438
Deferred income	*20*	**1,183**	1,283
		53,124	54,721
Current liabilities			
Trade and other payables	*18*	**101,418**	94,763
Current income tax liabilities		**1,657**	3,625
		103,075	98,388
Total liabilities		**156,199**	153,109
Total equity and liabilities		**3,077,045**	2,487,111

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2017

	Unaudited							
	Attributable to owners of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Treasury shares *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2017	979	1,528,311	(8,890)	71,354	742,584	2,334,338	(336)	2,334,002
Comprehensive income								
Profit for the period	—	—	—	—	81,717	81,717	9,796	91,513
Currency translation differences	—	—	—	(56)	—	(56)	—	(56)
Change in value of available-for-sale financial assets	—	—	—	3,144	—	3,144	786	3,930
Total comprehensive income	—	—	—	3,088	81,717	84,805	10,582	95,387
Transactions with owners								
Exercise of employee share options *(Note 15)*	—	921	—	(531)	—	390	—	390
Buy-back and cancellation of shares *(Note 15)*	(6)	(17,817)	8,890	—	—	(8,933)	—	(8,933)
Changes in ownership interest in subsidiaries without change of control *(Note 16)*	—	—	—	332,603	—	332,603	167,397	500,000
Total transactions with owners	(6)	(16,896)	8,890	332,072	—	324,060	167,397	491,457
Balance at 30 June 2017	973	1,511,415	—	406,514	824,301	2,743,203	177,643	2,920,846

	Unaudited							
	Attributable to owners of the Company							
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2016	1,034	1,666,821	—	82,008	547,635	2,297,498	1,167	2,298,665
Comprehensive income								
Profit for the period	—	—	—	—	118,835	118,835	(945)	117,890
Currency translation differences	—	—	—	934	—	934	—	934
Change in value of available-for-sale financial assets	—	—	—	95	—	95	—	95
Total comprehensive income	—	—	—	1,029	118,835	119,864	(945)	118,919
Transactions with owners								
Proceeds from exercise of employee share options	—	100	—	—	—	100	—	100
Buy-back of shares	(28)	(61,846)	(14,901)	—	—	(76,775)	—	(76,775)
Transfer to share premium upon exercise of share options	—	157	—	(157)	—	—	—	—
Share option reserve	—	—	—	1,615	—	1,615	—	1,615
Total transactions with owners	(28)	(61,589)	(14,901)	1,458	—	(75,060)	—	(75,060)
Balance at 30 June 2016	1,006	1,605,232	(14,901)	84,495	666,470	2,342,302	222	2,342,524

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2017

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Cash generated from operations		**83,952**	146,138
Income tax paid		**(21,981)**	(26,841)
Cash flows from operating activities — net		**61,971**	119,297
Cash flows from investing activities			
Purchases of property, plant and equipment		**(6,663)**	(630)
Payments for development costs of construction in progress		**(140,730)**	(151,706)
Purchases of land use rights		**—**	(115)
Purchases of available-for-sale financial assets	*10*	**(730,750)**	(175,000)
Proceeds from disposal of available-for-sale financial assets	*10*	**135,831**	155,720
Proceeds from disposal of subsidiaries	*13(c),(d)*	**453,833**	—
Net decrease in term deposits		**—**	40,000
Proceeds from disposal of property, plant and equipment		**—**	707
Interest received		**1,476**	3,301
Cash flows from investing activities — net		**(287,003)**	(127,723)
Cash flows from financing activities			
Buy-back of shares	*15*	**(8,933)**	(76,775)
Proceeds from capital injection by non-controlling interests	*16*	**500,000**	—
Proceeds from exercise of employee share options		**390**	100
Cash flows from financing activities — net		**491,457**	(76,675)
Net increase/(decrease) in cash and cash equivalents		**266,425**	(85,101)
Cash and cash equivalents at beginning of the period		**149,563**	288,224
Exchange (losses)/gains		**(249)**	1,535
Cash and cash equivalents at end of the period	*14*	**415,739**	204,658

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP

PW Medtech Group Limited (the "Company") was incorporated in the Cayman Islands on 13 May 2011 as an exempted company with limited liability under the Companies 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 8 November 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") in the People's Republic of China (the "PRC" or "China") during the period. Previously, the Group was also engaged in the development, manufacturing and sale of orthopedic implants products (the "Orthopedic Implant Business") which has been substantially disposed in December 2016 (Note 23).

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting" ("HKAS 34"). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of preparation of the Group's annual financial statements for the year ended 31 December 2016, as described in therein.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amendments to standards have been adopted by the Group for the financial year beginning on or after 1 January 2017:

HKAS 12 (Amendment)	Income taxes
HKAS 7 (Amendment)	Statement of cash flows
HKFRS 12 (Amendment)	Disclosure of interest in other entities

The adoption of these amendments did not have any significant impact on the Group.

The following new standards and amendments to standards have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
HKFRS 9 "Financial Instruments"	1 January 2018
Amendments to HKFRS 4, Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"	1 January 2018
Amendment to HKFRS 1, "First time adoption of HKFRS"	1 January 2018
Amendment to HKAS 28, "Investments in associates and joint ventures"	1 January 2018
HK (IFRIC) 22, "Foreign Currency Transactions and Advance Consideration"	1 January 2018
HKFRS 16 "Leases"	1 January 2019
Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and positions of the Group is expected when adopting HKFRS 9 and HKFRS 15. The directors also do not expect the adoption of HKFRS 16 would result in significant impact on the Group's financial performance and positions except for the recognition of the right of use assets and corresponding lease liabilities arising from accounting for operating leases by the Group as a lessee.

4 ESTIMATES

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2016.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management policies since the year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

(a) The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(b) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the six months ended 30 June 2017.

	Available-for-sale financial assets *RMB'000*
At beginning of the period	—
Additions	730,750
Change in value of available-for-sale financial assets	5,454
Disposals	(135,831)
At end of the period	600,373

6 SEGMENT INFORMATION

The chief operating decision-maker has 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.

Continuing operations:

— Regenerative Medical Biomaterial Business — manufacturing and sale of regenerative medical biomaterial products;

— Infusion Set Business — manufacturing and sale of high-end infusion sets; and

— Others — operations of other businesses.

Discontinued operations:

— Orthopedic Implant Business — In December 2016, the Group has substantially disposed of its Orthopedic Implant Business which constitutes discontinued operations to the Group and accordingly the segment information for the six months ended 30 June 2016 has been restated.

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

	Continuing operations				Discontinued operations	
Six months ended 30 June 2017	**Regenerative Medical Biomaterial Business** *RMB'000*	**Infusion Set Business** *RMB'000*	**Others** *RMB'000*	**Sub-total** *RMB'000*	**Orthopedic Implant Business** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	125,440	130,276	2,598	258,314	—	258,314
Cost of sales	(19,064)	(49,392)	(2,023)	(70,479)	—	(70,479)
Gross profit	106,376	80,884	575	187,835	—	187,835
Selling expenses	(16,108)	(24,732)	(2,466)	(43,306)	—	(43,306)
Administrative expenses	(11,315)	(20,864)	(150)	(32,329)	—	(32,329)
Research and development expenses	(4,620)	(5,188)	(1,271)	(11,079)	—	(11,079)
Other gains — net	1,487	5,735	—	7,222	—	7,222
Segment profit	75,820	35,835	(3,312)	108,343	—	108,343
Finance income — net						1,476
Profit before income tax						109,819

Six months ended 30 June 2016 (Restated)	Continuing operations: Regenerative Medical Biomaterial Business RMB'000	Continuing operations: Infusion Set Business RMB'000	Continuing operations: Others RMB'000	Continuing operations: Sub-total RMB'000	Discontinued operations: Orthopedic Implant Business RMB'000	Total RMB'000
Revenue from external customers	110,643	151,919	1,969	264,531	55,292	319,823
Cost of sales	(16,852)	(49,953)	(1,634)	(68,439)	(13,581)	(82,020)
Gross profit	93,791	101,966	335	196,092	41,711	237,803
Selling expenses	(12,592)	(19,309)	(1,685)	(33,586)	(10,460)	(44,046)
Administrative expenses	(10,393)	(22,143)	(104)	(32,640)	(12,464)	(45,104)
Research and development expenses	(3,862)	(4,576)	(1,055)	(9,493)	(4,451)	(13,944)
Other gains — net	769	4,145	(24)	4,890	426	5,316
Segment profit	67,713	60,083	(2,533)	125,263	14,762	140,025
Finance income — net						1,784
Profit before income tax						141,809

Reportable segments' assets are reconciled to total assets as follows:

As at 30 June 2017	Continuing operations				Discontinued operations	
	Regenerative Medical Biomaterial Business	Infusion Set Business	Others	Sub-total	Orthopedic Implant Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets (a)	**1,345,932**	**1,690,626**	**36,613**	**3,073,171**	**—**	**3,073,171**
Deferred income tax assets						**3,874**
Total assets						**3,077,045**
Segment liabilities	**44,565**	**54,257**	**5,436**	**104,258**	**—**	**104,258**
Deferred income tax liabilities						**51,941**
Total liabilities						**156,199**
As at 31 December 2016						
Segment assets	**768,574**	**1,248,301**	**465,879**	**2,482,754**	**—**	**2,482,754**
Deferred income tax assets						**4,357**
Total assets						**2,487,111**
Segment liabilities	**33,439**	**63,870**	**2,362**	**99,671**	**—**	**99,671**
Deferred income tax liabilities						**53,438**
Total liabilities						**153,109**

(a) The segment assets of Infusion Set Business included the proceeds of RMB438,833,000 from disposal of Orthopedic Implant Business (Note 13(c)).

7 LAND USE RIGHTS

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

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
In the PRC, held on:		
Leases of between 47 to 50 years	**60,237**	60,937

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**60,937**	64,110
Additions	**—**	491
Amortisation charge	**(700)**	(713)
At end of the period	**60,237**	63,888

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit or loss of continuing operations	**700**	683
Profit or loss of discontinued operations	**—**	30
	700	713

8 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**687,236**	659,328
Additions	**152,156**	121,725
Disposals	**(3)**	(992)
Depreciation	**(8,949)**	(18,015)
At end of the period	**830,440**	762,046

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit or loss of continuing operations	**8,949**	8,768
Profit or loss of discontinued operations	**—**	9,247
	8,949	18,015

9 INTANGIBLE ASSETS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**841,381**	967,798
Amortisation charge	**(13,111)**	(13,615)
At end of the period	**828,270**	954,183

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit or loss of continuing operations	**13,111**	13,113
Profit or loss of discontinued operations	**—**	502
	13,111	13,615

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**—**	—
Additions	**730,750**	175,000
Change in value of available-for-sale financial assets	**5,454**	815
Disposals	**(135,831)**	(155,720)
At end of the period	**600,373**	20,095

The investments represent short-term investments placed in certain PRC state-owned banking institutions with maturity within 1 year and without fixed return. These investments are denominated in RMB.

11 LONG-TERM PREPAYMENTS

	30 June	31 December
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepayments for property, plant and equipment	**4,923**	3,264
Others	**—**	191
	4,923	3,455

12 INVENTORIES

	30 June	31 December
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**19,880**	20,556
Work in progress	**13,685**	9,224
Finished goods	**30,483**	23,965
	64,048	53,745

13 TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**210,954**	214,125
Less: provision for impairment	**(866)**	(866)
Trade receivables — net (note (a))	**210,088**	213,259
Bills receivable (note (b))	**1,535**	689
Prepayments	**39,696**	7,125
Receivables from disposals of Orthopedic Implant Business (note (c))	**5,000**	443,833
Receivables from disposal of a subsidiary (note (d))	**—**	15,000
Value added tax recoverable	**4,878**	—
Other receivables	**7,944**	6,531
	269,141	686,437

As at 30 June 2017 and 31 December 2016, except for the prepayments which are not financial assets, the fair value of the trade and other receivables approximated its carrying amounts. As at 30 June 2017 and 31 December 2016, the carrying amount of the trade and other receivables is denominated in RMB.

(a) As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade receivables based on invoice date is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Up to 3 months	**52,074**	83,950
3 months to 6 months	**37,362**	28,062
6 months to 12 months	**60,180**	48,744
1 year to 2 years	**50,964**	36,194
2 years to 3 years	**9,508**	16,309
	210,088	213,259

Trade receivables arose mainly from Infusion Set Business. Advanced payments were normally required for sales in Regenerative Medical Biomaterial Business. For the major customers of Infusion Set Business, the Group normally granted credit periods in a range from 180 days to 365 days or set 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 at 30 June 2017, trade receivables of RMB4,615,000 (31 December 2016: RMB4,615,000) were impaired and provision of RMB866,000 (31 December 2016: RMB866,000) has been made. 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:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**866**	8,076
Reversal of impairment of receivables	**—**	(683)
At end of the period	**866**	7,393

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

(c) On 24 December 2016, the Group entered into an agreement to dispose of the subsidiaries in Orthopedic Implant Business to an independent third party at a consideration of RMB450,000,000. The transaction has been completed by 31 December 2016. During the period, part of the consideration of RMB438,833,000 has been received.

(d) On 8 December 2016, Beijing Fert Technology Co., Ltd. ("Fert Technology") entered into an agreement to dispose of one of its subsidiaries, namely Weikangtongda, to an independent third party at a consideration of RMB15,000,000. The gain on disposal was approximately RMB6,099,000. The consideration of RMB15,000,000 has been received during the six months ended 30 June 2017.

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 CASH AND CASH EQUIVALENTS

	30 June	31 December
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash on hand	**146**	118
Cash at banks	**415,593**	149,445
	415,739	149,563

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
RMB	**412,902**	134,988
HKD	**2,053**	12,544
USD	**680**	1,927
EUR	**104**	104
	415,739	149,563

15 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
Unaudited					
Balance at 1 January 2017	**1,590,317,404**	**979**	**1,528,311**	**(8,890)**	**1,520,400**
Proceeds from employee share options exercised (a)	**557,325**	**—**	**390**	**—**	**390**
Buy-back and cancellation of shares (b)	**(10,027,000)**	**(6)**	**(17,817)**	**8,890**	**(8,933)**
Transfer from other reserves upon exercise of share options	**—**	**—**	**531**	**—**	**531**
Balance at 30 June 2017	**1,580,847,729**	**973**	**1,511,415**	**—**	**1,512,388**
Unaudited					
Balance at 1 January 2016	1,673,022,168	1,034	1,666,821	—	1,667,855
Proceeds from employee share options exercised	159,236	—	100	—	100
Buy-back of shares	(42,422,000)	(28)	(61,846)	(14,901)	(76,775)
Transfer from other reserves upon exercise of share options	—	—	157	—	157
Balance at 30 June 2016	1,630,759,404	1,006	1,605,232	(14,901)	1,591,337

(a) Options exercised during the six months ended 30 June 2017 resulted in 557,325 shares being issued with cash proceeds of HKD442,000 (equivalent to RMB390,000).

(b) During the period, the Company acquired 5,148,000 of its own shares through purchases on The Stock Exchange of Hong Kong Limited and cancelled all the treasury shares.

16 OTHER RESERVES

	Merger reserve RMB'000	Translation reserve RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Unaudited						
Balance at 1 January 2017	**63,964**	**6,730**	**(1,703)**	**2,363**	**—**	**71,354**
Currency translation differences	**—**	**(56)**	**—**	**—**	**—**	**(56)**
Change in value of available-for-sale financial assets	**—**	**—**	**—**	**—**	**3,144**	**3,144**
Transfer to share premium upon exercise of share options *(Note 15)*	**—**	**—**	**—**	**(531)**	**—**	**(531)**
Changes in ownership interest in subsidiaries without change of control (a)	**—**	**—**	**332,603**	**—**	**—**	**332,603**
Balance at 30 June 2017	**63,964**	**6,674**	**330,900**	**1,832**	**3,144**	**406,514**
Unaudited						
Balance at 1 January 2016	63,964	6,625	(1,703)	13,122	—	82,008
Currency translation differences	—	934	—	—	—	934
Change in value of available-for-sale financial assets	—	—	—	—	95	95
Transfer to share premium upon exercise of share options *(Note 15)*	—	—	—	(157)	—	(157)
Share option reserve	—	—	—	1,615	—	1,615
Balance at 30 June 2016	63,964	7,559	(1,703)	14,580	95	84,495

(a) On 27 February 2017, Xinyu Yongshuo Management and Consulting LLP ("Xinyu Yongshuo"), an independent third party, subscribed 11,250,000 new shares issued by Tianxinfu (Beijing) Medical Appliance Co., Ltd. ("Beijing Tianxinfu", an indirectly wholly-owned subsidiary of the Company at that time) at a cash consideration of RMB500 million which accounts for 20% equity interest of Beijing Tianxinfu.

17 SHARE BASED PAYMENTS

(i) Share options

On 6 July 2013, the Board approved a share option scheme (the "Scheme") for the issuance of aggregate of shares in issue on the listing date of the Company, representing 70,891,722 shares.

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

The principal terms of the Scheme were approved by resolution of the shareholders of the Company on 3 July 2013 and amended by resolution of the shareholders of the Company on 14 October 2013. The options under the Scheme shall vest in 4 equal tranches (being 25% of each option granted, and each tranche is hereinafter referred to as a "Tranche") on the four dates (day immediately following the expiry of six months after the listing date, 8 November 2013 (the "First Vesting Date"); first anniversary of the First Vesting Date; second anniversary of the First Vesting Date and third anniversary of the First Vesting Date), respectively, with performance conditions. Details of the Scheme are disclosed in the Company's prospectus dated 28 October 2013.

(ii) Outstanding share options

Movements in the number of share options outstanding:

	Number of share options	
	2017	2016
At 1 January	**18,216,786**	35,621,248
Exercised	**(557,325)**	(159,236)
Forfeited	**(15,334,385)**	(16,926,755)
At 30 June	**2,325,076**	18,535,257

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2017 and 31 December 2016 are as follows:

		Number of share options outstanding	
Vesting date	**Exercise price**	**30 June 2017**	31 December 2016
7 May 2015	RMB0.63	**2,325,076**	2,882,401
7 May 2017	RMB0.63	**—**	15,334,385
		2,325,076	18,216,786

The exercisable period is 10 years from the grant date of the share options.

(iii) Fair value of share options

The directors of the Company have used the Binomial Model to determine the fair value of the options granted. Significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, made by the management in applying the Binomial Model, are summarised below.

Risk free rate	3.59%
Dividend yield	1%
Expected volatility	38%

The weighted average fair value of each Tranche of options is RMB0.94, RMB0.97, RMB0.99 and RMB1.00 respectively.

18 TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**19,676**	26,679
Salary and staff welfare payables	**28,046**	32,096
Advances from customers	**17,583**	4,258
Payables for construction in progress	**6,422**	—
Provisions for sales rebate	**6,769**	8,309
Deposits from distributors	**5,685**	5,658
Payables for purchase of land use rights	**4,277**	4,277
Value added tax and other taxes	**4,604**	6,479
Professional fee	**2,836**	2,295
Other payables	**5,520**	4,712
	101,418	94,763

As at 30 June 2017 and 31 December 2016, 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.

At 30 June 2017 and 31 December 2016, the ageing analysis of the trade payables based on invoice date are as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Up to 3 months	**13,313**	21,197
3 months to 6 months	**919**	420
6 months to 12 months	**689**	3,811
1 year to 2 years	**3,686**	431
2 years to 3 years	**264**	100
Over 3 years	**805**	720
	19,676	26,679

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

19 DEFERRED INCOME TAX

Deferred income tax assets	Six months ended 30 June **2017** *RMB'000* (Unaudited)	2016 *RMB'000* (Unaudited)
At beginning of the period	**4,357**	10,179
Charged to profit or loss	**(483)**	(213)
At end of the period	**3,874**	9,966

Deferred income tax liabilities	Six months ended 30 June **2017** *RMB'000* (Unaudited)	2016 *RMB'000* (Unaudited)
At beginning of the period	**(53,438)**	(60,855)
Credited to profit or loss	**2,190**	2,202
Charged to other comprehensive income	**(693)**	—
At end of the period	**(51,941)**	(58,653)

20 DEFERRED INCOME

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

	Six months ended 30 June **2017** *RMB'000* (Unaudited)	2016 *RMB'000* (Unaudited)
At beginning of the period	**1,283**	6,169
Credited to profit or loss	**(100)**	(357)
At end of the period	**1,183**	5,812

21 OTHER GAINS — NET

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Government grants	**6,252**	4,012
— relating to costs	**6,152**	3,912
— relating to assets	**100**	100
Realised gain on available-for-sale financial assets	**831**	720
Loss on disposal of property, plant and equipment	**—**	(24)
Others	**139**	182
	7,222	4,890

22 INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Current income tax	**20,013**	22,739
Deferred income tax	**(1,707)**	(2,754)
Income tax expenses	**18,306**	19,985

Below are the major tax jurisdictions that the Group operates during the period.

(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%.

(c) The PRC Corporate Income Tax (the "CIT")

Except for Beijing Tianxinfu, Fert Technology and Xuzhou Yijia Medical Device Co., Ltd. ("Xuzhou Yijia"), 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 and Xuzhou Yijia 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 1 January 2008 are generally subject to WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant WHT rate will be reduced from 10% to 5%.

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

23 DISCONTINUED OPERATIONS

In December 2016, the Group has substantially disposed of its Orthopedic Implant Business which constitutes discontinued operations.

(a) Analysis of the result of the discontinued operations for the six months ended 30 June 2016 is as follows:

	Six months ended 30 June 2016 *RMB'000*
Revenue	55,292
Cost of sales	(13,581)
Gross profit	41,711
Selling expenses	(10,460)
Administrative expenses	(12,464)
Research and development expenses	(4,451)
Other gains, net	426
Operating profit	14,762
Finance income — net	9
Profit before income tax	14,771
Income tax expenses	(3,934)
Profit for the period from discontinued operations	10,837
Profit for the period from discontinued operations attributable to:	
Owners of the Company	10,837
Non-controlling interests	—
Profit for the period from discontinued operations	10,837

(b) Analysis of cash flow of the discontinued operations for the six months ended 30 June 2016 is as follows:

	Six months ended 30 June 2016
	RMB'000
Operating cash flows	8,443
Investing cash flows	(8,543)
Financing cash flows	—
Total cash flows	(100)

24 CONTINGENCIES

(a) During the year ended 31 December 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 a court in Beijing, the PRC, in which the plaintiff filed a civil action against the Subsidiary and its former shareholders before it was being acquired by the Group (collectively, the "Defendants") due to a 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. According to a written civil ruling issued by the court in charge of the case, the plaintiff's claim was previously rejected by the court. However, upon the plaintiff has appealed to the court of intellectual property, as of 7 June 2017 the litigation completed civil second instance and a retrial is required for the court in charge of the case. Despite such retrial, the directors of the Company and the Group's attorney agent still considered that since the Subsidiary is not a principal party of the said Technology Development Agreement, it is expected that it is unlikely for the Subsidiary to undertake legal liability for the litigation. Therefore, the directors estimate that the case will not make any substantial impact to the Group, nor will result in any material loss.

(b) During the year ended 31 December 2016, a PRC intermediate people's court issued a civil judgement ("First Instance Judgement"), pursuant to which one of the Group's subsidiary (the "Subsidiary") shall undertake joint guarantee liability with another independent guarantor (the "Joint Guarantor") for a loan granted by a bank (the "Borrowing Bank" or the "Plaintiff") to the original independent borrower (the "Borrower") with principal and interest thereon totalling approximately RMB15 million, as the loan has been default in repayment. The directors of the Company and its appointed attorney agent analysed the case and considered that the Borrower is suspected of loan fraud and the Borrowing Bank may have grave fault in granting the loan to the Borrower. Accordingly, in August 2016, the Subsidiary instituted an appeal to a PRC superior people's court on rejecting the First Instance Judgement.

On 10 July 2017, the litigation of second instance commenced and the Plaintiff submitted new evidence to support its ground to grant loan to the Borrower. Up to date of this interim condensed consolidated financial information, the second instance judgement is yet to finalise, the estimated joint guarantee liability including the original loan principal and accrued interest thereon amounted to approximately RMB20 million. The directors of the Company considered that the result of second instance judgement is uncertain and the Joint Guarantor is also obligated to the joint guarantee liability. However, as the Group acquired the Subsidiary subsequent to its provision of the joint guarantee, the Group is entitled to make claims against the former shareholders of the Subsidiary if the joint guarantee obligation causes any losses to the Group. Therefore, despite any unfavourable judgement, the directors of the Company are of the view that the case will not make any substantial impact to the Group, nor will result in any material loss.

25 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**117,723**	17,123

(b) Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The majority of these non-cancellable leases are renewable at the end of the lease period at the market rate. The Group is required to give at least one-month notice for termination of these agreements. The lease expenditure and related management fee, water and electricity expenses (if necessary) were charged to the interim condensed consolidated income statements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
No later than 1 year	**441**	1,933
Later than 1 year and no later than 5 years	**683**	832
	1,124	2,765

26 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The following transactions were carried out between the Group and related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and in accordance with the terms negotiated between the Group and the respective related parties.

(a) Key management compensation

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and other allowances	**1,425**	1,575
Share-based compensation	**—**	702
	1,425	2,277

27 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 six months ended 30 June 2017.

	Unaudited	
	Six months ended 30 June	
	2017	2016
		(Restated)
Profit attributable to owners of the Company:		
— Continuing operations *(RMB'000)*	**81,717**	107,998
— Discontinued operations *(RMB'000)*	**—**	10,837
	81,717	118,835
Weighted average number of ordinary shares in issue *(thousands)*	**1,582,004**	1,644,310
Basic earnings per share:		
— Continuing operations *(RMB cents per share)*	**5.17**	6.57
— Discontinued operations *(RMB cents per share)*	**—**	0.66
	5.17	7.23

(b) Diluted

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
		(Restated)
Profit attributable to owners of the Company:		
— Continuing operations *(RMB'000)*	**81,717**	107,998
— Discontinued operations *(RMB'000)*	**—**	10,837
	81,717	118,835
Weighted average number of ordinary shares in issue (thousands)	**1,582,004**	1,644,310
Adjustments for:		
— Share options *(thousands)*	**1,537**	12,281
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,583,541**	1,656,591
Diluted earnings/(losses) per share:		
— Continuing operations *(RMB cents per share)*	**5.16**	6.52
— Discontinued operations *(RMB cents per share)*	**—**	0.65
	5.16	7.17

28 DIVIDENDS

The Board does not propose an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Market Review

With China's growing population, aging society, enhanced public health awareness and improved disposable income, and the government's deepening advancement of medical reform, China's healthcare market demand continues to grow, which further drives the medical device market to grow constantly. In recent years, relevant governmental authorities have promulgated a series of strategies, policies and regulations to create a good environment for the development of China's medical device industry. In the Plan of Healthy China 2030 published by the State Council, it puts emphasis on enhancing the innovation capability for high-end medical devices, accelerating transformation and upgrades of medical devices, and improving the international competitiveness of medical diagnosis and treatment equipment and medical materials with proprietary intellectual property rights. Meanwhile, it also proposed the goals to comprehensively adopt international quality standards in terms of drugs and medical devices by the year 2030. It is therefore expected that high-end medical device industry will be greatly boosted and localized with the fast growth of China's medical demands, the maturity of medical device technologies and the strong support given by a number of favorable policies.

The Company is a leading medical device company in the PRC with focus on fast-growing and high-margin segments of China's medical device industry. Currently, the Group is principally engaged in two business segments: (i) the research and development ("**R&D**"), manufacturing and sale of regenerative medical biomaterials (the "**Regenerative Medical Biomaterial Business**") and (ii) the R&D, manufacturing and sale of advanced infusion sets (the "**Infusion Set Business**").

As one of the leading domestic companies in the industry, in order to reinforce its leading market position and get prepared to cope with different market challenges, in the first half of 2017, the Group continued to further expand its product portfolio and production capacity, enhance its innovation and R&D capabilities and actively extend its distribution networks.

During the Relevant Period, the Group's revenue from continuing operations was approximately RMB258.3 million, representing a decrease of 2.4% over the corresponding period last year. During the Relevant Period, the Group's profit for the period from continuing operations and the profit attributable to the owners of the Company from continuing operations were approximately RMB91.5 million and RMB81.7 million, respectively, representing a decrease of 14.5% and 24.3% over the corresponding period last year. During the Relevant Period, the Group's gross profit from continuing operations was approximately RMB187.8 million, representing a decrease of 4.2% over the corresponding period last year. During the Relevant Period, the Group's overall gross profit margin was approximately 72.7%.

During the Relevant Period, the Regenerative Medical Biomaterial Business and the Infusion Set Business contributed to approximately 48.6% and 50.4% of the Group's revenue, respectively.

Business Strategies and Future Outlook

For the Regenerative Medical Biomaterial Business, as the largest manufacturer of artificial dura mater in the PRC, the Group has been committed to broadening product portfolio, elevating product quality and upgrading technology for years. As of June 30, 2017, the clinical tests of the second generation of the artificial dura mater have been fully completed and significant progress has been made in respect of the clinical tests of the absorbable oral repair membranes, which can be applied to the new fields of the oral and maxillofacial surgery. In addition, as of June 30, 2017, the Group has conducted R&D for new products and clinical verification of the regenerative medical biomaterials in different fields (including ophthalmology, oral biological isolation membrane and biological bone substitution).

For the Infusion Set Business, the Group has been focusing on providing safer and more effective solutions for infusion therapy to reinforce its leading position in the market of advanced infusion medical devices and drive the development of such industry. With the increasing concerns about infusion safety issues, high-end infusion sets will be applied in the market in a wider scope. In the future, the Group will keep focusing on infusion therapy and launch new products for this field, such as disposable intravenous cannula (留置針), so as to contribute to the safety and efficiency of China's medical care.

In 2017, the Group further promoted its medical beauty mask brand "LE SEUL" and in a short term, achieved a milestone success. In the first half of 2017, the number of the varieties of our mask products increased to eight, covering the field of basic skincare needs and medium to high-end skincare needs. The Group continued to uphold the rigorous attitude to create medical cosmetic skincare products trusted by consumers, and the quality of such mask products is superior to that of similar products available in the domestic market.

Emphasis on Innovation and R&D

As an industry leader in the development of innovative products, the Group has a R&D team comprising approximately 70 experienced members. The team cooperates closely with surgeons, hospitals (especially Class III Grade A hospitals), top university research centers and other research institutions. As of June 30, 2017, the Group owned 74 patents, including 11 for regenerative medical biomaterial products and 63 for advanced infusion set products. Further, the Group has applied for 18 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 Networks

The Group currently has two experienced, strong and dedicated sales and marketing teams to support and consolidate distribution networks in 31 provinces, municipalities and autonomous regions in China and enhance product promotion for its two business segments. Our core salesmen have an average of 10 years of experience in their respective fields and half of them have medical training background, which would help their professional and efficient communication with doctors and nurses. We have been implementing certain reorganization to the sales teams among different business lines with a view to improving overall sales force efficiency.

Strategic Acquisitions

In 2017, mergers and acquisitions in medical device industry continues to grow, and the momentum for such investment is still strong. The Group will actively grasp the development trend of the industry and continue to seek fast-growing, high-margin and high-potential opportunities within and outside of our current business segments so as to scale up the existing business and expand into new business areas.

Beijing Tianxinfu Successfully Introduced Strategic Investors

In February 2017, the Group announced that Tianxinfu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有限公司) ("**Beijing Tianxinfu**"), a then wholly-owned subsidiary of the Company, entered into a capital increase agreement with Xinyu Yongshuo Management and Consulting LLP (新余永碩管理諮詢合夥企業) ("**Xinyu Yongshuo**"), pursuant to which Beijing Tianxinfu issued an aggregate of 11,250,000 new shares to Xinyu Yongshuo at a total consideration of RMB500 million. Upon the completion of such capital increase, the shareholding percentage of the Company (through its subsidiaries) in Beijing Tianxinfu decreased from 100% to 80% and Beijing Tianxinfu remained as a subsidiary of the Company.

It is expected that the proceeds from this capital increase of Beijing Tianxinfu will be used for the future development of the regenerative medical biomaterial business and other medical device business of Beijing Tianxinfu and for expansion of the scale of its businesses.

Financial Review

Overview

	For the six months ended June 30,		
	2017	2016	Change %
	(RMB'000) **(except for earnings per share)**	(RMB'000) (except for earnings per share) (Restated)	
Revenue			
— Regenerative Medical Biomaterial Business	**125,440**	110,643	13.4%
— Infusion Set Business	**130,276**	151,919	–14.2%
— Others	**2,598**	1,969	31.9%
Total revenue from continuing operations	**258,314**	264,531	–2.4%
Gross profit from continuing operations	**187,835**	196,092	–4.2%
Profit for the period from continuing operations	**91,513**	107,053	–14.5%
Profit attributable to owners of the Company arises from continuing operations	**81,717**	107,998	–24.3%

Revenue from continuing operations

The revenue of the Group from continuing operations decreased by 2.4% from approximately RMB264.5 million for the six months ended June 30, 2016 to approximately RMB258.3 million for the Relevant Period, as a result of the offset of the increase in the sales of the Regenerative Medical Biomaterial Business by the decrease in the sales of the Infusion Set Business. Revenue from the Regenerative Medical Biomaterial Business for the Relevant Period amounted to approximately RMB125.4 million, representing an increase of 13.4% from approximately RMB110.6 million for the six months ended June 30, 2016. The sales increase in the Regenerative Medical Biomaterial Business was mainly contributed by the increase in sales volume due to increased market demand and the Group's expansion of sales networks. Revenue from the Infusion Set Business amounted to approximately RMB130.3 million for the Relevant Period, representing a decrease of 14.2% from approximately RMB151.9 million for the six months ended June 30, 2016. The sales decrease in the Infusion Set Business was mainly due to governmental control on use of infusion sets and a stronger market competition.

Gross Profit from continuing operations

The Group's gross profit from continuing operations decreased by 4.2% from approximately RMB196.1 million for the six months ended June 30, 2016 to approximately RMB187.8 million for the Relevant Period. The gross profit margin of continuing operations decreased from 74.1% for the six months ended June 30, 2016 to 72.7% for the Relevant Period, which was mainly due to the decrease in gross profit margin in the Infusion Set Business. The gross profit margin of the Regenerative Medical Biomaterial Business during the Relevant Period was 84.8%, same as that for the six months ended June 30, 2016. The gross profit margin of the Infusion Set Business during the Relevant Period was 62.1%, representing a decrease from 67.1% for the six months ended June 30, 2016, mainly due to lower proportion of direct sales in this segment.

Selling Expenses from continuing operations

Selling expenses of continuing operations increased by 28.9% from approximately RMB33.6 million for the six months ended June 30, 2016 to approximately RMB43.3 million for the Relevant Period. The selling expenses increase was mainly attributable to the Group's continued efforts to expand sales network and to conduct marketing promotion.

Administrative Expenses from continuing operations

Administrative expenses of continuing operations decreased by 1.0% from approximately RMB32.6 million for the same period in the prior year to approximately RMB32.3 million for the Relevant Period. The decrease was mainly due to the Group's effective cost control.

R&D Expenses from continuing operations

R&D expenses of continuing operations increased by 16.8% from approximately RMB9.5 million for the same period in the prior year to approximately RMB11.1 million for the Relevant Period, mainly because the Group conducted more R&D activities in the Relevant Period.

Income Tax Expenses from continuing operations

Income tax expenses of continuing operations for the Relevant Period amounted to approximately RMB18.3 million, representing a decrease of approximately RMB1.7 million as compared with the corresponding period last year, with the effective tax rate increased from 15.7% for the corresponding period last year to 16.7% for the Relevant Period. The main reason for the increase of effective tax rate was the decrease of profit from certain subsidiaries entitled to preferential income tax rate of 15%.

Other Gains — net

Other gains — net for the Relevant Period amounted to approximately RMB7.2 million, representing an increase of approximately RMB2.3 million as compared with the corresponding period last year, mainly due to the increased governmental grants received during the Relevant Period.

Net Profit from continuing operations

For the foregoing reasons, the net profit from continuing operations of the Group for the Relevant Period decreased by 14.5%, from approximately RMB107.1 million for the six months ended June 30, 2016 to RMB91.5 million for the Relevant Period. Profit attributable to owners of the Company arises from continuing operations decreased by 24.3% from approximately RMB108.0 million for the six months ended June 30, 2016 to RMB81.7 million for the Relevant Period, mainly due to Xinyu Yongshuo's acquisition of minority interest in Beijing Tianxinfu.

Trade and Other Receivables

The Group's trade receivables were primarily the outstanding proceeds from credit sales. As of June 30, 2017, the trade receivables of the Group were approximately RMB210.1 million, representing a decrease of approximately RMB3.2 million as compared to approximately RMB213.3 million as of December 31, 2016. As of June 30, 2017, other receivables of the Group were approximately RMB59.1 million, representing a decrease of approximately RMB414.1 million, as compared to approximately RMB473.2 million as of December 31, 2016. The decrease was mainly due to the receivables of RMB438.8 million of Shenzhen Bone Medical Device Co., Ltd. (深圳市博恩醫療器材有限公司), Tianjin Walkman Biomaterial Co., Ltd. (天津市威曼生物材料有限公司) and Lhasa Tianqiong Investment Management Co., Ltd. (拉薩天穹投資管理有限公司), which were settled in cash and received by the Group due to the disposal of such companies.

Inventories

Inventories increased by 19.2%, from approximately RMB53.7 million as of December 31, 2016 to approximately RMB64.0 million as of June 30, 2017. The increase of inventories was mainly due to the increase in finished goods for meeting potential market demand.

Property, Plant and Equipment

Property, plant and equipment included buildings, machinery and equipment and construction in progress. As of June 30, 2017, the property, plant and equipment of the Group amounted to approximately RMB830.4 million, representing an increase of approximately RMB143.2 million, as compared to approximately RMB687.2 million as of December 31, 2016. The increase was primarily due to the construction and procurement of new facilities and production lines for expansion of production capacities.

Intangible Assets

The Group's intangible assets mainly included goodwill, technology know-how, trademarks, computer software and customer relationship. The Group's goodwill, technology know-how and trademarks were mainly identified and recorded during the purchase accounting process for the acquisition of subsidiaries. The goodwill is subject to impairment test at each period end, while the technology know-how and trademarks are amortised with straight line method for 15 years. As of June 30, 2017, the net value of the Group's intangible assets was approximately RMB828.3 million, representing a decrease of approximately RMB13.1 million as compared to approximately RMB841.4 million as of December 31, 2016. The decrease was primarily due to the amortisation of the intangible assets during the Relevant Period.

Financial Resources and Liquidity

As at June 30, 2017, the Group's cash and bank balances amounted to approximately RMB415.7million (December 31, 2016: approximately RMB149.6 million). As of June 30, 2017 and as of December 31, 2016, the Group's bank borrowing balances were both nil.

The Board is of the view 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.

Cash Flows from Operating Activities

During the Relevant Period, the net cash generated from operating activities amounted to approximately RMB62.0 million, representing a decrease of approximately RMB57.3 million as compared to approximately RMB119.3 million for the corresponding period last year.

Pledge of Assets

Save as those disclosed in Note 24 to the Group's interim condensed consolidated financial information, during the Relevant Period, 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. hedging, R&D or other services with it.

Commitments

As of June 30, 2017, the Group had a total capital commitment of approximately RMB117.7 million, comprising mainly contracted capital expenditure for construction and acquisition of property, plant and equipment.

Contingent Liabilities

Save as those disclosed in Note 24 to the Group's interim condensed consolidated financial information, the Group had no material contingent liability or guarantee to third parties as of June 30, 2017.

Capital Expenditure

During the Relevant Period, the Group incurred capital expenditure of approximately RMB147.4 million (for the six months ended June 30, 2016: approximately RMB152.3 million) on the expansion of the plants and procurement of equipments.

Gearing Ratio

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings divided by total capital. Since there was no borrowing as at June 30, 2016 and 2017, the gearing ratio was nil.

Foreign Exchange Risk

The Group mainly operated its business in the PRC and was exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar and the United States dollar during the Relevant Period. Foreign exchange risk arose from foreign currencies held in certain overseas subsidiaries. The Group did not hedge against any fluctuation in foreign currency during the Relevant Period. The management of the Group may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future. The currencies in which the cash and cash equivalents are denominated have been disclosed in Note 14 to the Group's interim condensed consolidated financial statements.

Cash Flow and Fair Value Interest Rate Risk

Other than bank balances with variable interest rates, the Group had no other significant interest-bearing assets. The management of the Group 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. As the Group incurred no borrowing as at June 30, 2017, the Group has not hedged its cash flow and fair value interest rate risks.

Credit Risk

The carrying amounts of cash and cash equivalents, available-for-sale financial assets, term deposits 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 and available-for-sale financial assets is limited because the counterparties are commercial banks with good reputation, acceptable credit rating and being publicly listed. 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 the 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 reviewed the recoverable amount of each individual trade and other receivable balance at the end of the Relevant Period to ensure that adequate impairment losses are made for irrecoverable amounts.

USE OF PROCEEDS

The net proceeds from the Company's initial public offering (the "**IPO**") of the shares of the Company (the "**Shares**") amounted to approximately HK$1,348.7 million (equivalent to approximately RMB1,059.8 million) after deducting underwriting commission and listing related costs and expenses. As at June 30, 2017, the proceeds raised by the Company from the IPO had not been fully utilized. During the Relevant Period, such net proceeds were applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated October 28, 2013. In the second half of 2017, the Company plans to use the proceeds raised from the IPO in accordance with its development strategies, market conditions, and intended use of such proceeds.

HUMAN RESOURCES

As at June 30, 2017, the Group had a total of approximately 1,398 employees (December 31, 2016: 1,383 employees). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The Group has designed an evaluation system to assess the performance of its employees. This system forms the basis of our Group's determination on employees' salaries, bonuses and promotions. We believe that our employee salaries and bonuses are competitive with market rates. Under applicable PRC laws and regulations, the Group is subject to social insurance contribution plans, work-related injury insurance and maternity insurance schemes.

We place a strong emphasis on providing training to our employees in order to enhance their technical and product knowledge as well as comprehension of industry quality standards and work place safety standards. We also provide regular on-site and off-site training to help our employees to improve their skills and knowledge. These training courses range from further educational studies in basic product process and skill training to professional development courses for its management personnel.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Relevant Period (six months ended June 30, 2016: nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company ("**Shareholders**") as a whole. The Company has adopted the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 CG Code during the Relevant Period.

The Board will continue to review and monitor the practices of the Company with an aim of 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 his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

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

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

During the Relevant Period, the Company repurchased on the Stock Exchange a total of 5,148,000 Shares at a total consideration of approximately HK$10,008,920.00. Such Shares had been cancelled on March 8, 2017. Details of the share repurchases are summarized as follows:

Month of repurchase	**Total number of Shares repurchased**	**Repurchase price per Share**		**Aggregate consideration**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
February, 2017	5,148,000	2.06	1.70	10,008,920.00

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 Relevant Period. The purchase of the Shares was made for the benefit of the Shareholders with a view to enhancing the net asset value per Share and earnings per Share.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The audit committee of the Company, comprising Mr. WANG Xiaogang, Mr. CHEN Geng and Mr. LIN Junshan, has discussed with the management and the external auditor and reviewed the unaudited interim condensed consolidated financial information of the Group for the Relevant Period.

In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the Group's interim condensed consolidated financial information for the Relevant Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the unaudited interim condensed consolidated financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at *www.hkexnews.hk* and on the website of the Company at *www.pwmedtech.com*. The interim report of the Company for the Relevant Period containing all the information required by the Listing Rules will be dispatched to our Shareholders and published on the above websites in due course.

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, August 29, 2017

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. Chen Geng and Mr. Wang Xiaogang.