

PW MEDTECH GROUP LIMITED

普华和顺集团公司

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



INTERIM  
REPORT  
2024

## **A True Pioneer in China's Medical Device Industry**

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

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## DEFINITIONS

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

“Audit Committee”	the audit committee of the Company
“Blood Purification Business”	the R&D, manufacturing and sales of blood purification medical devices
“Board”	the board of Directors
“CEO”	chief executive officer of the Company
“CG Code”	the “Corporate Governance Code” as contained in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company”, “Group”, “PW Medtech” or “we”	PW Medtech Group Limited (普华和顺集团公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011 and except where the context indicated otherwise its subsidiaries
“Director(s)”	the director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standards
“Infusion Set Business”	the R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc.
“IPO”	the Company’s initial public offering of its Shares
“Latest Practicable Date”	September 9, 2024
“Lepu Biopharma”	Lepu Biopharma Co., Ltd. (乐普生物科技股份有限公司), a limited liability company incorporated in the PRC on January 19, 2018 and the H shares of which is listed and traded on the Main Board of the Stock Exchange (stock code: 2157)
“Lepu Medical”	Lepu Medical Technology (Beijing) Co., Ltd. (乐普(北京)医疗器械股份有限公司), a joint stock company incorporated in the PRC on June 11, 1999 and listed on the Shenzhen Stock Exchange (stock code: 300003)
“Listing Date”	November 8, 2013, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix C3 to the Listing Rules
“NEEQS”	National Equities Exchange and Quotation System

## DEFINITIONS

“NEEQS Quotation”	the proposed spin-off of Sichuan Ruijian Medical, by way of a separate quotation on NEEQS without issuance of new shares
“Ningbo Zhengyao”	Ningbo Zhengyao Investment Management Center (Limited Partnership) (寧波正垚投資管理中心(有限合夥)), a limited partnership incorporated in the PRC on November 30, 2015, and one of the Sichuan Ruijian's Original Minority Shareholders
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on July 3, 2013 and amended on October 14, 2013
“Prospectus”	the prospectus of the Company dated October 28, 2013
“Proposed Spin-off”	the NEEQS Quotation and the Subsequent Listing
“R&D”	research and development
“Regenerative Medical Biomaterials Business”	the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products
“Repurchase Mandates”	the general mandates granted to the Board to repurchase shares of the Company on the Stock Exchange of not exceeding 10% of the total number of Shares in issue as at the date of the annual general meetings of the Company held on June 6, 2023 and June 14, 2024, respectively
“Relevant Period”	the six months ended June 30, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value US\$0.0001 each in the issued share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on October 14, 2013
“Shareholder(s)”	holder(s) of Shares
“Sichuan Ruijian Medical”	Sichuan Rekind Medtec., Inc. (also known as Sichuan Ruijian Medical Technology Co. Ltd.) (四川睿健醫療科技股份有限公司), a joint stock limited liability company established in PRC on August 6, 2013, a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Listing”	a subsequent listing of Sichuan Ruijian Medical on Beijing Stock Exchange subject to the then market conditions and its strategic development needs
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Director

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

#### Non-executive Directors

Mr. JIANG Liwei  
Mr. LIN Junshan

#### Independent Non-executive Directors

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

### COMPANY SECRETARY

Ms. SO Ka Man, *FCG, HKFCG*

### AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Ms. Yue'e ZHANG  
Ms. SO Ka Man

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### AUDITOR

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

### REGISTERED OFFICE

The Grand Pavilion Commercial Centre  
Oleander Way, 802 West Bay Road  
P.O. Box 32052  
Grand Cayman KY1-1208  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building 1, No. 23 Panlong West Road  
Pinggu District  
Beijing, PRC 101204

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

### PRINCIPAL BANKERS

Morgan Stanley & Co International PLC  
31/F, International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong

China CITIC Bank  
Wanliu Branch  
5-32, Xing Biao Garden  
Wanliu Central Road  
Haidian District  
Beijing, PRC

### HONG KONG LEGAL ADVISOR

Wilson Sonsini Goodrich & Rosati  
Suite 1509, 15/F, Jardine House  
1 Connaught Place, Central  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
PO Box 1350,  
Grand Cayman KY1-1108  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### STOCK CODE AND BOARD LOT

Stock code: 1358  
Board lot: 1,000

### WEBSITE

[www.pwmedtech.com](http://www.pwmedtech.com)

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET AND BUSINESS REVIEW

PW Medtech Group Limited is a leading medical device company in China focusing on the fast-growing and high-margin segments in China's medical device industry and has always been committed to expanding new markets with room for growth to consolidate its leading position in the industry. In the first half of 2024, the Group focused on the development of its core business by constantly enhancing its R&D capabilities, as well as continuously improving its distribution networks in order to strengthen its overall competitiveness.

Looking back at the first half of 2024, though the global economy is experiencing recovery from market turmoil in the past, weaker economic growth than the historical level prior to the outbreak of the pandemic was seen. Fortunately, amid the more sophisticated and worsen external environment together with the increasingly deepened structural adjustment in China, China's economy was still able to show resilience to some extent in the first half of 2024, continuing the steady and upward trend.

From the aspect of industry, in the first half of the year, various factors such as the continuous implementation of bulk procurement of drugs and medical device, the promotion of anti-corruption campaign in medical industry horizontally and vertically as well as the accelerated integration of medical and health industry had subjected the industry to embracing continuous adjustment. Against the background that the industry was undergoing in-depth reform, centralized procurement of medical consumables has been carried out on a normalized basis, which has not only squeezed the profit margins gained by medical device enterprises to some extent, but also posed challenges to such enterprises, thus leading to a significant change in income distribution in industry. Meanwhile, centralized procurement has also facilitated constant innovation among enterprises, sped up the development trend of alternative domestic products and promoted the development of overseas market by the medical device enterprises, thus gradually changing the landscape of medical device market in China.

For the Relevant Period, the Group's revenue amounted to RMB338.4 million, representing a year-on-year increase of 6.1% compared with the first half of 2023. The Group recorded a gross profit of RMB187.6 million, representing a year-on-year increase of 6.1% compared with the first half of 2023, with an overall gross profit margin of 55.4% for the Relevant Period. Profit attributable to owners of the Company amounted to RMB70.2 million, representing a decrease of 1.1% over the corresponding period of 2023. In the first half of 2024, the Group maintained a stable financial position, with a steady and sound cash flow. In order to share the benefit of our growth with the Shareholders, the Board has declared the payment of an interim dividend of HK4.5 cents per share for the six months ended June 30, 2024.

With the continuous implementation of the policies on centralized bulk procurement of medical consumables in recent years, enterprises are gradually adapting to the normalization and systematization of centralized procurement. In the long run, centralized procurement will help optimize the competitive landscape of the healthcare industry and encourage relevant enterprises to enhance innovation and cost efficiency. In addition, it is expected that consumer demand for medical devices will witness sustained growth with the promoted public awareness of health care and the China's intensified ageing population. As a leading medical device company in China, PW Medtech will cope with challenges proactively, firmly seize development opportunity and enhance our strength amid the market environment where centralized procurement is normalized and systematized, in order to maintain the competitiveness of the Group in the long term.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS STRATEGIES AND FUTURE OUTLOOK

Focusing on the fast-growing and high-margin business sectors in the medical device market in China, PW Medtech will always be committed to promoting the development of the industry in a healthy and orderly manner, enhancing product innovation and R&D capabilities, and expanding production capacity and product portfolio. So far, the Group has established the business layout comprising three business segments, namely the Infusion Set Business, the Blood Purification Business and the Regenerative Medical Biomaterials Business.

In terms of the Infusion Set Business segment, the Group is a leading company in China in advanced infusion set business, focusing on the R&D, manufacturing and sale of products including infusion sets, cannula and insulin needles and pens, etc. Since transfusion treatment has become one of the most commonly adopted treatment alternatives in clinical treatment, and due to the huge population base in China, great and stable market demand for infusion consumables products has been seen in China. However, the sale price of enterprise suffers pressure arising from the bulk procurement to some extent. During the reporting period, revenue from the Group's Infusion Set Business maintained stable at RMB132.6 million, representing an increase of 0.6% over the corresponding period of last year, and accounting for approximately 39.2% of the consolidated operating revenue of the Group during the reporting period.

In the Blood Purification Business segment, the Group recorded sound growth relying on continuous investment in R&D and market expansion since its acquisition of Sichuan Ruijian Medical in 2022, making the Group a leading company in the field of Made-in-China hemodialysis consumables with products including high flux hemodialyzer, low flux hemodialyzer, hemodiafilter, hemoperfutor and dialysis tube. In recent years, the number of patients accepting blood purification treatment has increased steadily, accordingly, the market size of blood purification medical devices has enlarged year by year. Meanwhile, as domestic manufacturers continuously improve their R&D capabilities and technologies, the market competitiveness of domestic branded blood purification medical devices is continuously enhanced, with the market share gradually increasing. In 2024, the implementation of bulk procurement of blood purification consumables was accelerated. For example, in the joint bulk procurement of hemodialysis medical consumables carried out by the inter-provincial alliance of 23 regions including Henan province at the beginning of the year, the Company's hemodialyzer, hemodiafilter, dialysis tube and arteriovenous fistula puncture needle were successfully selected among the purchasing list. Though posing some pressure on the sale price of products, in the long run, bulk procurement will not only contribute to increasing the overall sales in industry, but also benefit the companies with cost-effective and consistent quality products in increasing sales. During the reporting period, the Blood Purification Business recorded steady growth with operating revenue of RMB205.8 million, representing an increase of 10.0% over the corresponding period of the previous year, and accounting for approximately 60.8% of the consolidated operating revenue of the Group during the reporting period.

In the Regenerative Medical Biomaterials Business segment, driven by factors such as the national economic development, improvement in residents' quality of life, and increasing demands for medical beauty and wounds repairing, the medical biomaterials in China are in a state of rapid development with broad market space. The Group's Regenerative Medical Biomaterials Business segment focuses the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products, with a complete product pipeline and applications covering herniorrhaphy, oral repairing, breast reconstruction, burns and scalds, and injection cosmetology. The Group believes that the Regenerative Medical Biomaterials Business segment has extremely high growth potential and is one of the most valuable areas for investment in the medical device sector. The Group will make full use of its technological leadership and resource integration capabilities to expedite the R&D and commercialization of related products.

As of June 30, 2024, the Group had accumulatively obtained 52 registration certificates for products, including among others, infusion set, cannula, hemodialyzer, hemoperfutor, blood dialyzer, biologic patch, intestinal feeding device, insulin injection pen, insulin injection needle and blood transfusion set. In addition, the Group also has a number of product candidates in various stages of development.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Emphasis on Innovation and R&D

The Group has always believed that innovation and R&D is one of the key drivers for the long-term development of the medical device industry. At present, the Group has an experienced R&D team with strong academic and research background, which helps the Group develop innovative products and continuously enhance its R&D capabilities. In 2024, the Group's product registration and R&D processes progressed smoothly. In particular:

In the Infusion Set Business segment, the Group has been focusing on R&D and continuous improvement of the materials and performance of infusion set and cannula products to improve its product line in the infusion healthcare field, and has also been exploring R&D of medical devices for diabetes mellitus and other healthcare fields. In March 2024, the Group obtained the registration certificate of pump infusion set product, which further enriched its product portfolio in the infusion healthcare field.

In the Blood Purification Business segment, the Group obtained a registration certificate for hemodialysis equipment in May 2024 and a registration certificate for continuous blood purification machine in July 2024, expanding its business from blood purification consumables to blood purification equipment.

In the Regenerative Medical Biomaterials Business segment, the Group obtained registration certificates for absorbable oral cavity repair membrane products and breast tissue patch products in July 2024. Absorbable oral cavity repair membrane products are used to guide bone regeneration in dental implant surgery, while breast tissue patch products are used to support and cover implants in breast reconstruction surgery and to repair soft breast tissue.

As of June 30, 2024, the Group owned 174 patents for products, including 81 patents in relation to infusion set products, 64 patents for blood purification products and 29 patents for regenerative medical biomaterial products, and had applied for 61 new patents.

In the future, the Group will continue to focus on product innovation and R&D. Following the R&D strategy of "produce and focus our R&D efforts for a leading next generation of products", the Group will focus on R&D and innovation of medical devices, improve comprehensive competitive edge and consolidate our leading position in the industry.

### Expansion of Distribution Networks

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Proposed Spin-off of Sichuan Ruijian Medical

In May 2024, the Group announced that it was considering a proposed spin-off of Sichuan Ruijian Medical (the “**Spin-off**”), a non-wholly owned subsidiary engaged in blood purification business, for separate listing on the National Equities Exchange and Quotations System (全國中小企業股份轉讓系統) and subsequent listing on the Beijing Stock Exchange in accordance with the prevailing market conditions and the needs of its strategic development. The Stock Exchange has confirmed that the Company may proceed with the proposed Spin-off under Practice Note 15 of the Listing Rules. Sichuan Ruijian Medical has submitted an application for listing on the National Equities Exchange and Quotations System (全國中小企業股份轉讓系統) to the National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統公司) and the application has been accepted.

The Board is of the view that the aforesaid proposed separate listing is fair and reasonable and in the interests of the Company and its Shareholders as a whole, which will help Sichuan Ruijian Medical capture the huge opportunities in the blood purification medical device market in the PRC, further strengthen its business capability while enhancing its reputation and consolidate its leading position in the industry, and will also be conducive to the expansion of its financing channels and shareholder base in the future.

### Strategic Share Repurchase Scheme

The Board has announced the repurchase of shares in the open market under the Repurchase Mandates from time to time during the 12-month period commencing June 2024 (the “**Share Repurchase Scheme**”). Under the Share Repurchase Scheme, the Board intends to utilize up to HK\$150 million (inclusive of tax and transaction costs) to repurchase shares in the market. The Board has designated a dedicated officer of the Company to implement the Share Repurchase Scheme under the Repurchase Mandates in light of the market conditions. For details of the share repurchases completed by the Company prior to the date of this interim report, including the number and price of the share repurchased, please refer to the section headed “Purchase, Sale or Redemption of the Company’s Listed Securities” in this interim report.

The Board is of the view that the Share Repurchase Scheme reflects the confidence of the Board and the senior management of the Company in the long-term development and market performance of the Company. In addition, the Share Repurchase Scheme is not only beneficial to the Company but also creates value for the Shareholders, so the Share Repurchase Scheme is in the best interests of the Company and the Shareholders as a whole. The existing financial resources of the Company are sufficient to enable the Company to maintain a robust financial position while implementing the Share Repurchase Scheme.

### Active Sharing of Operating Achievements

In order to continue to share the Group’s operating achievements with the Shareholders at large, the Board has adopted a revised dividend policy since August 2023. Under the revised dividend policy, the Board intends to distribute not less than 70% of the profit attributable to Shareholders of the Company for the financial year as dividends. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its Shareholder value. Depending on the Group’s financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, and other factors as set out in the revised dividend policy, the Board may recommend and/or declare dividends during the financial year.

Since the adoption of the revised dividend policy, the Company has distributed interim and final dividends for the year of 2023 for shareholder returns.

The Board has declared the payment of an interim dividend of HK4.5 cents per share for the six months ended June 30, 2024. For details, please refer to the section headed “Interim Dividend” in this interim report.

Going forward, the Group will adhere to its dividend policy and review it from time to time as appropriate. The management of the Group will also work with integrity, diligence and prudence in order to continue to maximize value for Shareholders.

## FINANCIAL REVIEW

### Overview

	Six months ended June 30,		Change
	2024 RMB'000	2023 RMB'000	
Revenue			
— Infusion Set Business	132,618	131,848	0.6%
— Blood Purification Business	205,799	187,167	10.0%
— Regenerative Medical Biomaterials Business	—	—	
Total Revenue	338,417	319,015	6.1%
Gross profit	187,621	176,799	6.1%
Gross profit margin	55.4%	55.4%	
Profit for the period	93,639	96,873	–3.3%
Profit attributable to owners of the Company	70,219	70,976	–1.1%
Adjusted profit for the period <sup>(1)</sup>	100,192	96,873	3.4%
Adjusted Profit attributable to owners of the Company <sup>(1)</sup>	73,396	70,976	3.4%

Note:

- (1) Please refer to the section entitled “Non-HKFRS Measure — Adjusted Net Profit and Adjusted Profit Attributable to Owners of the Company” for more information about the non-HKFRS measures.

### Revenue

The revenue of the Group increased by 6.1% from approximately RMB319.0 million for the six months ended June 30, 2023 to approximately RMB338.4 million for the Relevant Period, as a result of the increase in sales of the Blood Purification Business.

Revenue from the Infusion Set Business amounted to approximately RMB132.6 million for the Relevant Period, representing an increase of 0.6% from the six months ended June 30, 2023. Sales of the Infusion Set Business remained stable with the minor decrease in selling price offset by increase in sales volume.

Revenue from the Blood Purification Business for the Relevant Period amounted to approximately RMB205.8 million, representing an increase of 10.0% compared to approximately RMB187.2 million for the six months ended June 30, 2023. The increase was mainly contributed by the increased market demand and the expansion of sales network for core products, particularly for the rapid growth in sales of hemoperfutor products and export sales.

### Gross Profit

The Group's gross profit increased by 6.1% from approximately RMB176.8 million for the six months ended June 30, 2023 to approximately RMB187.6 million for the Relevant Period. The gross profit margin for the Relevant Period was 55.4%, remained stable compared to 55.4% for the six months ended June 30, 2023.

The gross profit margin of the Infusion Set Business decreased from 60.9% for the six months ended June 30, 2023 to 60.2% for the Relevant Period, which was mainly due to the decrease of the unit sales price.

## MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit margin of the Blood Purification Business increased from 51.6% for the six months ended June 30, 2023 to 52.4% for the Relevant Period mainly due to the increase in the proportion of sales of hemoperfutor products, which have a higher gross profit margin.

### Selling and Marketing Expenses

Selling and marketing expenses increased by 1.8% from approximately RMB39.2 million for the six months ended June 30, 2023 to approximately RMB39.9 million for the Relevant Period. This increase was mainly the net result of: (i) the increase of selling and marketing expenses of the Blood Purification Business from approximately RMB12.4 million for six months ended June 30, 2023 to RMB14.5 million for the Relevant Period which was mainly due to the increase in share-based compensation expense as a result of implementation of the stock incentive plan of Sichuan Ruijian Medical, which amounted to approximately RMB1.4 million for the Relevant Period (nil for the six months ended June 30, 2023); and (ii) the decrease of selling and marketing expenses of the Infusion Set Business from approximately RMB26.8 million for the six months ended June 30, 2023 to approximately RMB25.4 million for the Relevant Period due to the decrease in promotion expenses and staff cost as a result of efficient cost control.

### General and Administrative Expenses

General and administrative expenses increased by 0.8% from approximately RMB59.8 million for the six months ended June 30, 2023 to approximately RMB60.3 million for the Relevant Period. The increase was mainly attributable to the increase of administrative expenses incurred by the Blood Purification Business and the Regenerative Medical Biomaterials Business, partially offset by the decrease of administrative expenses incurred by the group headquarters and the Infusion Set Business.

The general and administrative expenses of the Blood Purification Business increased by 19.2% from approximately RMB24.0 million for the six months ended June 30, 2023 to approximately RMB28.6 million for the Relevant Period. The increase was mainly due to (i) the increase in professional service fees incurred relating to the Spin-off for approximately RMB1.9 million (nil for the six months ended June 30, 2023), and (ii) the share-based compensation expense amounted to RMB3.3 million as a result of the implementation of the stock incentive plan of Sichuan Ruijian Medical (nil for the six months ended June 30, 2023).

The general and administrative expenses of the Blood Purification Business included effect of amortisation of the intangible assets and depreciation of property, plant and equipment valuation surplus identified and recorded in the Group's consolidated financial statements during the purchase accounting process under HKFRSs, which amounted to approximately RMB10.8 million for the Relevant Period (approximately RMB10.8 million for the six months ended June 30, 2023).

The general and administrative expenses of the Regenerative Medical Biomaterials Business increased by 21.4% from approximately RMB6.0 million for the six months ended June 30, 2023 to approximately RMB7.3 million during Relevant Period. The increase was mainly due to increased personnel expenses and other overheads relating to business development. The general and administrative expenses included the amortisation of the intangible assets valuation surplus identified and recorded in the Group's consolidated financial statements during the purchase accounting process under HKFRSs, which amounted to approximately RMB3.7 million for the Relevant Period (approximately 3.7 million for the six months ended June 30, 2023).

The general and administrative expenses of the group headquarters and the Infusion Set Business decreased by 18.3% from approximately RMB29.8 million for the six months ended June 30, 2023 to approximately RMB24.3 million for the Relevant Period. The decrease was the net result of: (i) the decrease of professional services fee and decrease of repair and maintenance costs for the properties; and (ii) the decrease in reversal of impairment loss on trade receivables from approximately RMB4.4 million for the six months ended June 30, 2023 to approximately RMB2.3 million for the Relevant Period, partially offset by the decrease of provision for impairment loss on loan receivables amounted to approximately RMB1.2 million.

### R&D Expenses

R&D expenses decreased by 10.3% from approximately RMB23.0 million for the six months ended June 30, 2023 to approximately RMB20.6 million for the Relevant Period, which was mainly due to the decrease of R&D expenses incurred by the Blood Purification Business and the Infusion Set Business, partially offset by the increase of R&D expenses incurred by the Regenerative Medical Biomaterials Business.

R&D expenses of the Blood Purification Business decreased from approximately RMB10.5 million for the six months ended June 30, 2023 to approximately RMB7.9 million for the Relevant Period. The decrease was mainly due to the decrease in raw materials and consumables expenses, since that the R&D of the blood purification equipment was finished in 2024 and other projects are at stages that do not require large number of materials and consumables.

R&D expenses of the Infusion Set Business decreased from approximately RMB7.1 million for the six months ended June 30, 2023 to approximately RMB6.4 million for the Relevant Period. The decrease was mainly due to the decrease in direct R&D expense, since some R&D projects are not at stages that require substantial R&D investment.

R&D expenses of the Regenerative Medical Biomaterials Business increased from approximately RMB5.3 million for the six months ended June 30, 2023 to approximately RMB6.3 million for the Relevant Period. The increase was mainly due to the increase in the number of new R&D projects, which have not reached the stage that R&D expenditures can be capitalised.

### Other Gains — Net

Net other gains decreased by 46.1% from approximately RMB33.5 million for the six months ended June 30, 2023 to approximately RMB18.1 million for the Relevant Period due to the decrease in government grants. The decrease was primarily attributable to a one-off government subsidy for foreign investment enterprise amounted to RMB12.7 million granted to the Blood Purification Business for the six months ended June 30, 2023, while no such subsidy was received for the Relevant Period.

### Fair Value Loss on Investment Properties

Fair value loss on investment properties increased from approximately RMB0.2 million for the six months ended June 30, 2023 to approximately RMB0.4 million for the Relevant Period. The fair value loss was mainly due to the decline of the rental market.

### Operating Profit

Operating profit decreased by 4.1% from approximately RMB88.2 million for the six months ended June 30, 2023 to approximately RMB84.5 million for the Relevant Period, mainly due to: (i) the decrease of the operating profit generated by the Blood Purification Business from approximately RMB66.2 million for the six months ended June 30, 2023 to approximately RMB60.6 million for the Relevant Period due to the increase in gross profit offset by decrease in one-off government subsidies and increase of share-based compensation expenses; (ii) the increase in the operating loss generated by the Regenerative Medical Biomaterials Business from approximately RMB11.4 million for the six months ended June 30, 2023 to approximately RMB13.6 million for the Relevant Period due to the increase in administrative and R&D expenses; and (iii) the increase of the operating profit generated by the group headquarters and the Infusion Set Business from RMB33.4 million for the six months ended June 30, 2023 to approximately RMB37.5 million for the Relevant Period due to the decrease in operating expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance Income — Net

Net finance income increased by 37.2% from approximately RMB20.3 million for the six months ended June 30, 2023 to approximately RMB27.8 million for the Relevant Period. The increase was mainly due to increase in the average balance of cash and bank balances, resulting from the capital increase received by Sichuan Ruijian Medical in December 2023 and net cash inflow from operating activities of the Group during the Relevant Period.

### Income Tax Expenses

Income tax expenses increased by 61.8% from approximately RMB11.5 million for the six months ended June 30, 2023 to approximately RMB18.7 million for the Relevant Period, which was mainly due to the profit decrease of certain subsidiaries subject to lower applicable tax rates, offset by the profit increase of certain entities subject to higher tax rates, which resulted in an increase in the overall effective tax rate of the Group for the period.

### Profit for the Period and Profit Attributable to Owners of the Company

The profit for the period of the Group and profit attributable to owners of the Company was approximately RMB93.6 million and RMB70.2 million for the Relevant Period, representing a decrease of 3.3% and 1.1% from RMB96.9 million and RMB71.0 million for the six months ended June 30, 2023, respectively. The decrease was mainly due to decreases of operating profit and increase of income tax expenses, partially offset by the increase of finance income.

### Non-HKFRS Measure — Adjusted net profit and adjusted net profit attributable to owners of the Company

To supplement our consolidated financial information which are presented in accordance with HKFRS, we set forth below our adjusted net profit and adjusted net profit attributable to owners of the Company, each a non-HKFRS measure, as additional financial measures.

Adjusted net profit and adjusted net profit attributable to owners of the Company is defined as profit for the period or profit attributable to owners of the Company, as adjusted by adding back (i) share-based compensation expenses of the Blood Purification Business; (ii) professional services fee relating to the Spin-off, and (iii) income tax effects of non-HKFRS adjustments.

We believe that the presentation of non-HKFRS measures facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact of certain items that the Group does not consider indicative of the performance of the business of the Group. We believe that this measure provides useful information to investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they help our management. However, the use of non-HKFRS measures has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of the Group's results as reported under HKFRS. In addition, this non-HKFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the reconciliations of our non-HKFRS financial measures for the six months ended June 30, 2024 and 2023 to the nearest measure prepared in accordance with HKFRS.

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit for the Period	93,639	96,873
Add:		
Share-based compensation expenses of the Blood Purification Business <sup>(1)</sup>	4,974	—
Professional services fees related to the Spin-off	1,970	—
Income tax effects of non-HKFRS adjustments above	(391)	—
Adjusted net profit	100,192	96,873
Profit attributable to owners of the Company	70,219	70,976
Add:		
Share-based compensation expenses of the Blood Purification Business <sup>(1)</sup>	2,412	—
Professional services fees related to the Spin-off	955	—
Income tax effects of non-HKFRS adjustments above	(190)	—
Adjusted net profit attributable to owners of the Company	73,396	70,976

Note:

- (1) The item represents the expenses related to share-based payments granted to employees of the Blood Purification Business. On April 18, 2024, the stock incentive plan was approved at the general meeting of Sichuan Ruijian Medical. Under the stock incentive plan, a total of 6,332,340 shares of Sichuan Ruijian Medical (approximately 2.06% shareholding percentage of Sichuan Ruijian Medical) held by its shareholder and employee shareholding platform Ningbo Zhengyao will be granted to eligible employees of Sichuan Ruijian Medical. The exercise price per share granted is RMB1.783. All realised gains and corresponding yields of Ningbo Zhengyao will be distributed to the grantees.

The vesting period is from the date of grant until the end of fourth year following the successful IPO of Sichuan Ruijian Medical, and the fair value of the shares granted to employees less amount paid by employees is recognized as expenses over the vesting period.

For the six months ended June 30, 2024, approximately RMB3.33 million, RMB1.43 million, RMB0.08 million and RMB0.13 million of share-based compensation expense was recognized as general and administrative expense, selling and marketing expense, R&D expense, and manufacturing overheads, respectively.

### Trade and Other Receivables

The Group's trade receivables primarily comprised the outstanding payment from credit sales. As of June 30, 2024, the trade and other receivables of the Group was approximately RMB146.5 million, representing a decrease of approximately RMB33.9 million as compared to approximately RMB180.4 million as of December 31, 2023, which was mainly because the collection of trade receivables during the Relevant Period continued to improve.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group has selected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and established a provision matrix that was based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The details are disclosed in Note 19 to the interim condensed consolidated financial statements for the Relevant Period.

The Group reviews the financial performance of the customers with long aging receivables periodically and revises the credit terms granted to the customers based on credit risk analysis. Besides review of account receivables, the management may also use letter of collection and lawyer's letter to collect the receivables. The Group would also negotiate with customers to explore the use of debt agreement if there are higher risk of recoverability. In some circumstances, the internal legal department of the Group would be involved in collection of receivables to explore the availability of legal actions, and to issue formal communication to the customer before escalating the actions. Out of the trade receivables aged over 6 months that amounted to approximately RMB29.8 million at December 31, 2023, a total of approximately RMB20.3 million was subsequently received up to June 30, 2024.

As at June 30, 2024, the Group had made loss allowances of approximately RMB19.4 million (as at December 31, 2023: RMB21.7 million) on the trade receivables with a gross amount of approximately RMB83.9 million (as at December 31, 2023: RMB96.2 million).

### Inventories

Inventories increased by 6.0% from approximately RMB136.6 million as at December 31, 2023 to approximately RMB144.8 million as at June 30, 2024, which was mainly due to the increase of inventories of the Blood Purification Business caused by (i) additional stock of raw materials to prepare for the production of blood purification equipment, and (ii) increase in work in progress as a response to the potential future sales growth.

### Property, Plant and Equipment

Property, plant and equipment mainly include buildings and facilities, machinery and equipment and construction in progress. As at June 30, 2024, the property, plant and equipment of the Group amounted to approximately RMB890.3 million, representing a decrease of approximately RMB16.6 million as compared to approximately RMB906.9 million as at December 31, 2023. The decrease was mainly the net result of purchase of new production facilities and the depreciation.

### Investment Properties

Investment properties, mainly comprising factories and offices which are held by the Group for long-term rental yields. As at June 30, 2024, the investment properties of the Group amounted to approximately RMB263.7 million, representing a decrease by approximately RMB1.2 million as compared to approximately RMB264.9 million as at December 31, 2023. The decrease was mainly due to the disposal of the investment properties located in Dalian during the period. The detailed information regarding the investment properties could be found in Note 14 to the interim condensed consolidated financial statements.

### Intangible Assets and Goodwill

The Group's intangible assets mainly include development cost, technology know-how, trademarks, computer software and customer relationship. The Group's goodwill, technology know-how, trademarks and customer relationships are mainly identified and recorded during the purchase accounting process for the acquisitions of subsidiaries. The intangible assets are amortised with straight line method for 5–20 years. The goodwill is subject to impairment test at each period end.

As at June 30, 2024, the net value of the Group's intangible assets and goodwill was approximately RMB1,650.4 million, representing a decrease of RMB10.7 million as compared to approximately RMB1,661.1 million as of December 31, 2023. The decrease was primarily the due to amortisation of the intangible assets during the Relevant Period.

### Loan Receivable

As at June 30, 2024, the Company's gross amount of loan receivable was approximately RMB300.0 million which includes a loan granted to an independent third party in April 2023 as disclosed in the announcement of the Company dated April 20, 2023 and a loan granted to an independent third party in September 2023 and extended in May 2024 as disclosed in the announcement of the Company dated September 5, 2023 and May 31, 2024, respectively. The detailed information regarding the loan receivable, including the collaterals and key terms, could be found in Note 17 to the interim condensed consolidated financial statements.

### Financial Assets at Fair Value through Other Comprehensive Income

As at June 30, 2024, the Group's financial assets at fair value through other comprehensive income was approximately RMB54.5 million (December 31, 2023: RMB61.3 million). The decrease was mainly due to the decrease in the fair value of the Group's investment in the H shares of Lepu Biopharma as a result of decline in its share price. The detailed information regarding the financial assets could be found in Note 18 to the interim condensed consolidated financial statements.

### Financial Resources and Liquidity

As at June 30, 2024, the Group's cash and bank balances amounted to approximately RMB1,733.0 million (December 31, 2023: RMB1,589.7 million). As at June 30, 2024, the Group's bank borrowing balance was RMB2.8 million (December 31, 2023: nil).

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

### Pledge of Assets

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

### Commitments

As of June 30, 2024, the Group had a total capital commitment of approximately RMB32.1 million (December 31, 2023: RMB36.1 million), comprising mainly contracted capital expenditure for acquisition of property, plant and equipment.

### Capital Expenditure

During the Relevant Period, the Group incurred capital expenditure of approximately RMB22.5 million (for the six months ended June 30, 2023: RMB30.2 million) on the expansion of the plants and procurement of equipment and intangible assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gearing Ratio

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowing divided by total capital. Total borrowing is current other borrowing as shown in the condensed consolidated statement of financial position. Total capital is calculated as "total equity" as shown in the condensed consolidated statement of financial position plus total borrowing.

	As at June 30, 2024 RMB'000	As at December 31, 2023 RMB'000
Total borrowing	2,800	—
Total equity	4,839,907	4,824,985
Total capital	4,842,707	4,824,985
Gearing ratio	0.06%	0.00%

### Foreign Exchange Risk

The Group mainly operates its business in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Hong Kong dollar. Foreign exchange risk arises from foreign currencies held by certain overseas subsidiaries. The Group did not hedge against any fluctuation in foreign currency during the Relevant Period. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

### Cash Flow and Fair Value Interest Rate Risk

Other than bank balances with variable interest rates, and the loan receivables with fixed interest rate, the Group has no other significant interest-bearing assets. The management does not anticipate any significant impact to interest-bearing assets resulting from the changes in interest rates because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from bank and other borrowings. Borrowing issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively.

As at June 30, 2024, it was estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would decrease or increase the Group's profit for the Relevant Period by approximately RMB23,800 (for the six months ended June 30, 2023: RMB0).

The sensitivity analysis above has been determined by assuming that the change in interest rates had occurred at the end of Relevant Period and had been applied to the exposure to interest rate risk for the borrowings in existence on that date. The increase or decrease of the 100 basis points represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

### Credit Risk

The carrying amounts of cash and cash equivalents, trade and other receivables and loan receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are state-owned commercial banks in China or public listed companies. Most of the bank deposits of the Group are placed with commercial banks with an acceptable credit rating.

For trade and other receivables and loan receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Most of trade and other receivables balances are due from state-owned enterprises or major customers with good repayment history. Details of the Group's trade and other receivables credit management are also discussed above under the heading of "Trade and Other Receivables".

## SUPPLEMENTARY INFORMATION

### HUMAN RESOURCES

The Group had approximately 1,302 employees as at June 30, 2024, as compared to 1,244 employees as at December 31, 2023. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination.

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

### INTERIM DIVIDEND

In light of the solid financial performance of the Group for the Relevant Period and in appreciation of the Shareholders' continuing support, the Board has declared the payment of an interim dividend of HK4.5 cents per share for the six months ended June 30, 2024 (for the six months ended June 30, 2023: HK4.9 cents per share) to the Shareholders whose names appear on the register of members of the Company at the close of business on November 8, 2024. The abovementioned interim dividend will be payable on December 2, 2024. Such declaration of interim dividend demonstrates the Company's commitment to delivering shareholder returns as well as its optimism about the Group's business prospects.

### CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended June 30, 2024, the register of members of the Company will be closed from November 6, 2024 to November 8, 2024, both days inclusive, and during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on November 5, 2024.

### CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted the CG Code as its own code to govern its corporate governance practices.

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

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

## SUPPLEMENTARY INFORMATION

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

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by each of the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the 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

The Company has from time to time, repurchased the Shares on the open market during the twelve-month period from June 3, 2024, subject to market conditions and pursuant to the general mandates granted to Board to repurchase the Shares on the Stock Exchange of not exceeding 10% of the total number of Shares in issue as at the dates of the annual general meetings of the Company held on June 6, 2023 and June 14, 2024, respectively (the "**Repurchase Mandates**"). Pursuant to the Share Repurchase Scheme, the Board plans to use up to HK\$150 million (inclusive of tax and transaction fees) to conduct on-market share repurchase. The Board has designated specific staff of the Company to implement the Share Repurchase Scheme, subject to market conditions and pursuant to the Repurchase Mandates. The timing, price and amount of repurchases will be determined based upon market conditions and other factors. For further details, please refer to the relevant announcement of the Company dated June 3, 2024.

During the Relevant Period and up to the Latest Practicable Date, the Company has repurchased on the Stock Exchange a total of 27,216,000 Shares (the "**Shares Repurchased**") at a total consideration of approximately HK\$30,551,700. Details of the Shares Repurchased are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
June, 2024	5,072,000	1.09	1.03	5,349,030
July, 2024	17,981,000	1.21	1.01	20,671,040
August, 2024	0	N/A	N/A	N/A
September, 2024 (up to the Latest Practicable Date)	4,163,000	1.11	1.06	4,531,630

As at the Latest Practicable Date, a total of 23,053,000 Shares Repurchased have been cancelled, out of which 2,633,000, 1,800,000 and 18,620,000 Shares Repurchased were cancelled on June 28, 2024, July 4, 2024 and August 15, 2024 respectively. As at the Latest Practicable Date, a total of 4,163,000 Shares Repurchased have not been cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury share) during the Relevant Period and up to the Latest Practicable Date.

As at June 30, 2024 and up to the date of this interim report, there were no treasury shares held by the Company.

## SUPPLEMENTARY INFORMATION

### REVIEW OF FINANCIAL INFORMATION

#### Audit Committee

The Audit Committee (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.

#### Auditor

The Company's external auditor, BDO Limited, 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, BDO Limited confirmed that nothing has come to their attention that causes them to believe that the unaudited interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 2024, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

#### (A) Long position in ordinary Shares

Name of Director	Capacity	Number of ordinary Shares interested	Approximate percentage <sup>+</sup> of the Company's issued share capital
Mr. JIANG Liwei	Beneficial owner	2,638,714	0.17%
Mr. LIN Junshan	Beneficial owner	1,673,427	0.11%
Mr. CHEN Geng	Beneficial owner	636,943	0.04%

<sup>+</sup> The percentage represents the number of ordinary Shares interested divided by the number of the Company's issued Shares as at June 30, 2024.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2024, none of the Directors or the chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at June 30, 2024, the following corporations/persons had interests of 5% or more in the issued Shares according to the register of interests required to be kept by the Company under section 336 of the SFO:

### Long position in ordinary Shares

Name	Note	Capacity	Number of ordinary Shares interested	Approximate percentage* of the Company's issued share capital
Cross Mark Limited		Beneficial owner	575,061,863	36.79%
Ms. Yufeng LIU	1	Interest of a controlled corporation	575,061,863	36.79%
Mr. ZHANG Zaixian	2	Interest of spouse	575,061,863	36.79%
Right Faith Holdings Limited		Beneficial owner	393,385,962	25.17%
Mr. Marc CHAN	3	Interest of controlled corporations	408,385,962	26.13%
Fidelity China Special Situations PLC		Beneficial owner	78,471,000	5.02%
FIL Limited	4	Interest of controlled corporations	78,515,000	5.02%
Pandanus Partners L.P.	4	Interest of controlled corporations	78,515,000	5.02%
Pandanus Associates Inc.	4	Interest of controlled corporations	78,515,000	5.02%

Notes:

- (1) The entire issued share capital of Cross Mark Limited is legally and beneficially owned by Ms. Yufeng LIU. Under the SFO, Ms. Yufeng LIU is deemed to be interested in the same number of Shares in which Cross Mark Limited is interested.
- (2) Mr. ZHANG Zaixian is the spouse of Ms. Yufeng LIU. Under the SFO, Mr. ZHANG Zaixian is deemed to be interested in the same number of Shares in which Ms. Yufeng LIU is interested.
- (3) The entire issued share capital of Right Faith Holdings Limited is legally and beneficially owned by Mr. Marc CHAN. In addition, Amplewood Resources Limited, a company wholly owned by Mr. Marc CHAN, held 15,000,000 Shares. Under the SFO, Mr. Marc CHAN is deemed to be interested in the same number of Shares in which Right Faith Holdings Limited and Amplewood Resources Limited are interested.
- (4) As the Company is aware, FIL Limited was deemed to be interested in 78,515,000 Shares held by its controlled entities/corporations. Pandanus Partners L.P. owned 37.01% of the equity interest in FIL Limited. Pandanus Partners L.P. is wholly owned by Pandanus Associates Inc. Accordingly, Pandanus Partners L.P. and Pandanus Associates Inc. were also deemed to be interested in the aforesaid 78,515,000 Shares.

\* The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at June 30, 2024.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2024, no person had registered an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

## SUPPLEMENTARY INFORMATION

### **PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME**

The previous Pre-IPO Share Option Scheme adopted by the Company on July 3, 2013 and amended on October 14, 2013 and the Share Option Scheme adopted by the Company on October 14, 2013 had expired.

The share options which were granted under the Pre-IPO Share Option Scheme but not exercised had been lapsed and no share options have been granted under the Share Option Scheme since its adoption. As at the date of this interim report, the Company has not adopt any other share option scheme.

### **EVENT AFTER THE RELEVANT PERIOD**

There are no significant events after the Relevant Period and up to the date of this interim report.

# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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## TO THE BOARD OF DIRECTORS OF PW MEDTECH GROUP LIMITED

*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 24 to 56, which comprise the condensed consolidated statement of financial position of PW Medtech Group Limited and its subsidiaries (collectively referred to as the “**Group**”) as of 30 June 2024 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial statements, including material accounting policy information (the “**interim condensed consolidated financial statements**”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **BDO Limited**

*Certified Public Accountants*

### **Ng Wai Man**

Practising Certificate Number P05309

Hong Kong, 30 August 2024

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Unaudited Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	5	<b>338,417</b>	319,015
Cost of sales		<b>(150,796)</b>	(142,216)
<b>Gross profit</b>		<b>187,621</b>	176,799
Other gains — net	6	<b>18,074</b>	33,544
Fair value loss on investment properties	14	<b>(397)</b>	(201)
Selling and marketing expenses		<b>(39,919)</b>	(39,220)
General and administrative expenses		<b>(60,271)</b>	(59,798)
Research and development expenses		<b>(20,597)</b>	(22,974)
<b>Operating profit</b>		<b>84,511</b>	88,150
Finance income — net	7	<b>27,790</b>	20,258
<b>Profit before income tax</b>	8	<b>112,301</b>	108,408
Income tax expenses	9	<b>(18,662)</b>	(11,535)
<b>Profit for the period</b>		<b>93,639</b>	96,873
<b>Other comprehensive expense</b>			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		<b>(7,047)</b>	(19,160)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences		<b>(415)</b>	1,204
Other comprehensive expense for the period		<b>(7,462)</b>	(17,956)
<b>Total comprehensive income for the period</b>		<b>86,177</b>	78,917

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Unaudited Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>70,219</b>	70,976
Non-controlling interests		<b>23,420</b>	25,897
		<b>93,639</b>	96,873
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>62,757</b>	53,020
Non-controlling interests		<b>23,420</b>	25,897
		<b>86,177</b>	78,917
<b>Earnings per share attributable to owners of the Company for the period</b> (expressed in RMB cents per share)			
<b>Basic earnings per share</b>	10	<b>4.49</b>	4.53
<b>Diluted earnings per share</b>	10	<b>4.49</b>	4.53

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	890,263	906,872
Right-of-use assets	13	32,419	26,133
Investment properties	14	263,665	264,878
Intangible assets	15	1,086,335	1,096,987
Goodwill	16	564,085	564,085
Deferred tax assets		9,924	10,291
Long-term prepayments		14,670	9,941
Loan receivables	17	180,000	180,000
Financial assets at fair value through other comprehensive income	18	54,501	61,280
<b>Total non-current assets</b>		<b>3,095,862</b>	<b>3,120,467</b>
<b>Current assets</b>			
Inventories		144,816	136,605
Loan receivable	17	120,000	120,000
Trade and other receivables	19	146,526	180,421
Financial assets at fair value through profit or loss	20	5,350	4,900
Cash and cash equivalents		1,733,046	1,589,656
<b>Total current assets</b>		<b>2,149,738</b>	<b>2,031,582</b>
<b>Total assets</b>		<b>5,245,600</b>	<b>5,152,049</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	191,815	130,080
Lease liabilities		2,112	759
Contract liabilities		13,817	7,766
Tax payables		14,311	10,658
<b>Total current liabilities</b>		<b>222,055</b>	<b>149,263</b>
<b>Net current assets</b>		<b>1,927,683</b>	<b>1,882,319</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Lease liabilities		5,669	369
Bank borrowings		2,800	—
Deferred tax liabilities		152,331	154,712
Deferred government grants		22,838	22,720
<b>Total non-current liabilities</b>		<b>183,638</b>	177,801
<b>NET ASSETS</b>		<b>4,839,907</b>	4,824,985
<b>Equity</b>			
Share capital	22	961	962
Share premium		1,485,575	1,489,876
Reserves		387,720	392,770
Retained earnings		2,159,025	2,160,733
<b>Equity attributable to owners of the Company</b>		<b>4,033,281</b>	4,044,341
<b>Non-controlling interests</b>		<b>806,626</b>	780,644
<b>TOTAL EQUITY</b>		<b>4,839,907</b>	4,824,985



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital RMB'000 (note 22)	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
<b>Balance at 1 January 2024</b>	962	1,489,876	—	392,770	2,160,733	4,044,341	780,644	4,824,985
<b>Comprehensive income</b>								
Profit for the period	—	—	—	—	70,219	70,219	23,420	93,639
<b>Other comprehensive income</b>								
Currency translation differences	—	—	—	(415)	—	(415)	—	(415)
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	(7,047)	—	(7,047)	—	(7,047)
<b>Total comprehensive income</b>	—	—	—	(7,462)	70,219	62,757	23,420	86,177
2023 final dividend paid	—	—	—	—	(71,927)	(71,927)	—	(71,927)
Equity settled share-based payment	—	—	—	2,412	—	2,412	2,562	4,974
Buy-back shares	—	—	(4,302)	—	—	(4,302)	—	(4,302)
Cancellation of shares	(1)	(2,571)	2,572	—	—	—	—	—
<b>Total transactions with owners</b>	(1)	(2,571)	(1,730)	2,412	(71,927)	(73,817)	2,562	(71,255)
<b>Balance at 30 June 2024 (unaudited)</b>	961	1,487,305	(1,730)	387,720	2,159,025	4,033,281	806,626	4,839,907

	Share capital RMB'000 (note 22)	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
<b>Balance at 1 January 2023</b>	962	1,489,876	—	428,837	2,025,548	3,945,223	692,332	4,637,555
<b>Comprehensive income</b>								
Profit for the period	—	—	—	—	70,976	70,976	25,897	96,873
<b>Other comprehensive income</b>								
Currency translation differences	—	—	—	1,204	—	1,204	—	1,204
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	(19,160)	—	(19,160)	—	(19,160)
<b>Total comprehensive income</b>	—	—	—	(17,956)	70,976	53,020	25,897	78,917
<b>Balance at 30 June 2023 (unaudited)</b>	962	1,489,876	—	410,881	2,096,524	3,998,243	718,229	4,716,472

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	155,618	101,238
Income tax paid	(17,023)	(21,575)
<b>Net cash generated from operating activities</b>	<b>138,595</b>	79,663
<b>Cash flows from investing activities</b>		
Proceed from disposal of property, plant and equipment	111	—
Proceed from disposal of investment property	816	—
Purchases of property, plant and equipment	(7,531)	(5,140)
Payments for development costs of intangible assets	(4,004)	(17,840)
Proceeds from disposal of financial assets at fair value through profit or loss	550	11,394
Purchases for acquisition of financial assets at fair value through profit or loss	(1,000)	(11,000)
Payments for development costs of construction in progress	(10,928)	(12,439)
Interest received	27,908	16,864
Net cash outflow from loan to independence third parties	—	(24,500)
<b>Net cash generated from/(used in) investing activities</b>	<b>5,922</b>	(42,661)
<b>Cash flows from financing activities</b>		
Repayment of lease liabilities	(574)	(826)
Interest paid	(118)	—
Payment for repurchase of shares	(4,302)	—
Proceeds from new bank borrowings	2,800	—
<b>Net cash used in financing activities</b>	<b>(2,194)</b>	(826)
<b>Net increase in cash and cash equivalents</b>	<b>142,323</b>	36,176
Cash and cash equivalents at beginning of period	1,589,656	1,381,917
Effect of foreign exchange rate changes	1,067	1,885
<b>Cash and cash equivalents at end of period</b>	<b>1,733,046</b>	1,419,978

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

## 1. GENERAL

PW Medtech Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 May 2011 as an exempted company with limited liability under the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 8 November 2013.

The Company is an investment holding company. The Company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in the research and development (“**R&D**”), manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc. (the “**Infusion Set Business**”), hemodialysis and blood purification medical devices (the “**Blood Purification Business**”) and animal-derived regenerative medical biomaterials and human tissue repair alternative products (the “**Regenerative Medical Biomaterials Business**”) in the People’s Republic of China (the “**PRC**”).

## 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim condensed consolidated financial statements were authorised for issue on 30 August 2024.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2023 annual financial statements, except for those that relate to new standards or amendments effective for the first time for periods beginning on or after 1 January 2024. Details of any changes in accounting policies are set out in note 3. The adoption of the new and revised Hong Kong Financial Reporting Standards (the “**HKFRSs**”) have no material effect on these interim condensed consolidated financial statements.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the interim condensed financial statements and their effect are disclosed in Note 4.

These interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2023 annual consolidated financial statements. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2023 annual consolidated financial statements.

The interim condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair value.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

### 3. CHANGE IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, as described therein.

- Amendment to HKFRS 16, Lease Liability in a Sale and Leaseback
- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
- Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

The new or amended HKFRSs that are effective from 1 January 2024 did not have any significant impact on the Group's accounting policies. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the interim condensed consolidated 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 expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2023 annual financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 5. REVENUE AND SEGMENT INFORMATION

#### Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue for the period from continuing operations is as follows:

	For the six months ended 30 June 2024				For the six months ended 30 June 2023			
	Infusion Set Business RMB'000 (unaudited)	Regenerative			Infusion Set Business RMB'000 (unaudited)	Regenerative		
		Blood	Medical	Consolidated		Blood	Medical	Consolidated
		Purification Business RMB'000 (unaudited)	Biomaterials Business RMB'000 (unaudited)			Purification Business RMB'000 (unaudited)	Biomaterials Business RMB'000 (unaudited)	
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>								
Revenue from hospitals	14,143	2,297	—	16,440	16,680	2,365	—	19,045
Revenue from medical products distributors	118,475	203,502	—	321,977	115,168	184,802	—	299,970
<b>Total</b>	<b>132,618</b>	<b>205,799</b>	<b>—</b>	<b>338,417</b>	<b>131,848</b>	<b>187,167</b>	<b>—</b>	<b>319,015</b>
<b>Timing of revenue recognition</b>								
Point in time	132,618	205,799	—	338,417	131,848	187,167	—	319,015
<b>Geographical markets</b>								
Mainland China	132,618	162,911	—	295,529	131,848	155,843	—	287,691
India	—	13,144	—	13,144	—	10,932	—	10,932
Africa Region	—	7,264	—	7,264	—	4,732	—	4,732
North America	—	4,948	—	4,948	—	4,785	—	4,785
Others	—	17,532	—	17,532	—	10,875	—	10,875
	<b>132,618</b>	<b>205,799</b>	<b>—</b>	<b>338,417</b>	<b>131,848</b>	<b>187,167</b>	<b>—</b>	<b>319,015</b>

**5. REVENUE AND SEGMENT INFORMATION (Continued)**
**Segment information**

Information reported to the chief executive of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on business units. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. The Group has the following operating and reportable segments:

- the “Infusion Set Business” segment represents the R&D, manufacturing and sales of advanced infusion set, intravenous cannula products, insulin needles, etc;
- the “Blood Purification Business” segment represents the R&D, manufacturing and sales of hemodialysis and blood purification medical devices; and
- the “Regenerative Medical Biomaterials Business” segment represents the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products.

**(i) Segment revenue and results**

Analysis of the Group’s segment revenue and results for the six months ended 30 June 2024 and 2023 is as follows:

	Infusion Set Business		Blood Purification Business		Regenerative Medical Biomaterials Business		Consolidated	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Segment revenue from external customers	<b>132,618</b>	131,848	<b>205,799</b>	187,167	—	—	<b>338,417</b>	319,015
Segment results (Operating profit)	<b>39,313</b>	39,515	<b>60,621</b>	66,109	<b>(13,612)</b>	(11,326)	<b>86,322</b>	94,298
Unallocated corporate income							<b>29,816</b>	22,339
Unallocated corporate expense							<b>(3,837)</b>	(8,229)
Profit before taxation							<b>112,301</b>	108,408

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices. Intersegment sales are eliminated on consolidation.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 5. REVENUE AND SEGMENT INFORMATION (Continued)

#### Segment information (Continued)

##### (i) Segment revenue and results (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit/(loss) from each segment without allocation of unallocated corporate income and expenses. This is the measure reported to the chief operating decision maker of the Company for the purposes of resource allocation and performance assessment.

##### (ii) Segment assets and liabilities

	Infusion Set Business		Blood Purification Business		Regenerative Medical Biomaterials Business		Consolidated	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (audited)
Segment assets	1,634,389	1,596,422	1,396,953	1,334,343	1,002,342	1,013,385	4,033,684	3,944,150
Deferred tax assets							9,924	10,291
Financial assets at fair value through other comprehensive income							54,501	61,280
Unallocated corporate assets (note a)							1,147,491	1,136,328
Consolidated assets							5,245,600	5,152,049
Segment liabilities	94,572	97,703	63,270	53,631	6,839	6,156	164,481	157,490
Tax payable							14,312	10,658
Deferred tax liabilities							152,331	154,712
Unallocated corporate liabilities (note b)							74,569	4,204
Consolidated liabilities							405,693	327,064

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets, financial assets at fair value through other comprehensive income and unallocated corporate assets; and
- all liabilities are allocated to operating segments other than tax payable, deferred tax liabilities and unallocated corporate liabilities.

Notes:

- Unallocated assets mainly represent cash at banks and other receivables in holding company for the both periods.
- Unallocated liabilities mainly represent other payables in holding company for the both periods.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 6. OTHER GAINS — NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Government grants	1,814	13,407
Rental income	6,845	7,519
Rental management and utility income	3,910	7,655
Loss on disposal of property, plant and equipment	(91)	—
Loss on guarantee liability (Note)	(366)	(364)
Write-off of other payables	—	1,978
Net foreign exchange gain	3,881	2,885
Others	2,081	464
<b>Other gains — net</b>	<b>18,074</b>	<b>33,544</b>

Note:

The guarantee liability mainly related to a joint guarantee liability of the Group's subsidiary, Xuzhou Yijia Medical Device Co., Ltd ("Xuzhou Yijia"). Based on the judgement from the Supreme People's Court of the PRC in 2018, Xuzhou Yijia is liable to the principal of RMB10 million and accumulated interest for a defaulted loan granted by a bank, which Xuzhou Yijia had undertaken a joint guarantee with another independent guarantor.

After assessing the risk relating to the joint guarantee liability, the Directors accrued a provision to guarantee liability which included the principal and accumulated interest of the above loan in 2018. The loss recognised during the period ended 30 June 2024 and 2023 represents the interest accrued for the period on the guarantee liability.

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 7. FINANCE INCOME — NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
<b>Finance income</b>		
Bank interest income	19,242	12,621
Interest income on wealth management product	51	64
Loan interest income	8,615	7,635
	27,908	20,320
<b>Finance costs</b>		
Interest expenses on lease liabilities	(84)	(62)
Interest expenses on bank borrowings	(34)	—
	(118)	(62)
<b>Finance income — net</b>	<b>27,790</b>	<b>20,258</b>

### 8. PROFIT BEFORE INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Reversal of impairment losses recognised in respect of trade receivables, net	(2,329)	(4,382)
Provision for impairment losses recognised in respect of loan receivables	—	1,175
Amortisation of intangible assets	14,656	14,603
Depreciation of property, plant and equipment	34,866	34,447
Depreciation of right-of-use-assets		
— Properties	641	474
— Leasehold land and land use rights	300	299

## 9. TAXATION

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

	Unaudited	
	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Current income tax		
PRC income tax for the period	(20,676)	(13,450)
Deferred income tax	2,014	1,915
Income tax expenses	(18,662)	(11,535)

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) PRC corporate income tax (the "CIT")

Under the Law of the PRC on CIT (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2023: 25%).

Four subsidiaries of the Group have been qualified as "High and New Technology Enterprises" under the CIT Law. Therefore, they were entitled to a preferential income tax rate of 15% on their estimated assessable profits during the period. They will continue to enjoy the preferential tax rate in the subsequent periods, provided that they continue to be qualified as "High and New Technology Enterprises" during such periods.

Besides, according to the Notice on Implementing the Policy of Inclusive Tax Relief for Small and Micro Enterprises ("SMEs"), released by the Ministry of Finance on January 2021, qualified SMEs with annual taxable income below RMB1 million per year are entitled to a preferential EIT rate of 10% on 25% of their income. Whereas, qualified SMEs with taxable income from RMB1 to 3 million are entitled to a preferential EIT rate of 10% on 50% of their income, ten of the subsidiaries are entitled to the preferential tax rate for the period ended 30 June 2024.

### (c) 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 10. 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 period ended 30 June 2024.

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Profit attributable to owners of the Company	70,219	70,976
Weighted average number of ordinary shares in issue (thousands)	1,565,358	1,565,632
Basic earnings per share (RMB cents per share)	4.49	4.53

#### (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). There are no dilutive potential ordinary shares during the period ended 30 June 2024.

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Profit attributable to owners of the Company	70,219	70,976
Weighted average number of ordinary shares in issue (thousands)	1,565,358	1,565,632
Adjustments for:		
— Share options (thousands)	—	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,565,358	1,565,632
Diluted earnings per share (RMB cents per share)	4.49	4.53

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 11. DIVIDENDS

The proposed 2023 final dividend of HK4.95 cents (2022: nil) per share, totaling HK\$77,212,000 (2022: nil) was approved by the Company's shareholders at the annual general meeting held on 14 June 2024. It was disclosed in the Company's announcement on 28 March 2024 and recognised in "accruals and other payables" in the interim condensed consolidated statement of financial position and was subsequently paid on 26 July 2024.

The Board has declared an interim dividend of HK4.5 cents per share (six months ended 30 June 2023: HK4.9 cents) for the six months ended 30 June 2024.

### 12. PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
<b>At beginning of period/year</b>	<b>906,872</b>	931,227
Additions	<b>18,459</b>	47,306
Disposals	<b>(202)</b>	(4,742)
Depreciation	<b>(34,866)</b>	(66,919)
<b>At end of period/year</b>	<b>890,263</b>	906,872

During the period, the Group acquired property, plant and equipment of approximately RMB18,459,000 (six months ended 30 June 2023: RMB16,555,000) and disposed property, plant and equipment of approximately RMB202,000 during the period (six months ended 30 June 2023: RMB272,000).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 13. RIGHT-OF-USE ASSETS

The recognised right-of-use assets relate to the following types of assets:

	Properties RMB'000	Leasehold land and land use rights RMB'000	Total RMB'000
At 1 January 2023	1,638	25,771	27,409
Depreciation for the year	(676)	(600)	(1,276)
<b>At 31 December 2023 (Audited) and 1 January 2024</b>	962	25,171	26,133
Addition	7,227	—	7,227
Depreciation for the period	(641)	(300)	(941)
<b>At 30 June 2024 (Unaudited)</b>	7,548	24,871	32,419

### 14. INVESTMENT PROPERTIES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
<b>FAIR VALUE</b>		
<b>At beginning of period/year</b>	<b>264,878</b>	298,092
Disposal of a subsidiary	—	(33,991)
Disposal of investment properties	<b>(816)</b>	—
Addition	—	838
Change in fair value	<b>(397)</b>	(61)
<b>At end of period/year</b>	<b>263,665</b>	264,878

During the six months period 30 June 2023, the Group collected a property with carrying value of approximately RMB838,000 from the settlement of trade receivable which located at No. 1-6-2, Block 30, Dongcheng Garden, Dalian Economic Technology Development Zone, Dalian, with a construction area of approximately 213.08 square meters. The property was subsequently sold during the period ended 30 June 2024 for a consideration of RMB816,000.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 14. INVESTMENT PROPERTIES (Continued)

The balance represented:

- office premises are located at No. 23 Panlong West Road, Pinggu District, Beijing, with a construction area of approximately 39,714.5 square meters held by the Group under medium term lease in the PRC.

The Group's property interest held to earn rentals is measured using the fair value model and is classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 30 June 2024 was approximately RMB263,665,000 (31 December 2023: RMB264,878,000).

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

	30 June 2024	31 December 2023
Occupancy rate	<b>60.0% to 86.5%</b>	50.0% to 86.5%
Monthly rent	<b>RMB42 per sq.m. to RMB78.9 per sq.m.</b>	RMB42 per sq.m. to RMB78.9 per sq.m.
Rental growth rate	<b>2.3%</b>	2.3%
Discount rate	<b>5.5%</b>	5.5%

The fair value of the investment property at 30 June 2024 and 31 December 2023 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the period.

A significant increase/decrease in the rental value in isolation would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the discount rate and capitalisation rate in isolation would result in a significant decrease/increase in the fair value of the investment properties. Generally, a change in the assumption made for the rental value is accompanied by a directionally similar change in the rent growth per annum.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 14. INVESTMENT PROPERTIES (Continued)

In addition, as a result of the increased uncertainty, significant judgement is required when evaluating the inputs used in the fair value estimate. Reasonably possible changes at the reporting date to any of the relevant assumptions would have affected the fair value of the investment property as presented below:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Discount rate increased by 1%	(34,851)	(34,411)
Expected occupancy rate decreased by 3%	(10,295)	(10,317)
Rental growth rate decreased by 0.5%	(21,962)	(31,927)

### 15. INTANGIBLE ASSETS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
<b>At beginning of period/year</b>	<b>1,096,987</b>	1,092,448
Addition	4,004	34,605
Amortisation charge	(14,656)	(30,066)
<b>At end of period/year</b>	<b>1,086,335</b>	1,096,987

## 16. GOODWILL

The carrying amount of goodwill is allocated to the cash generating units (CGUs) as follows:

	Goodwill carrying amount	
	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Infusion Set Business	160,754	160,754
Blood Purification Business	323,540	323,540
Regenerative Medical Biomaterials Business	79,791	79,791
	<b>564,085</b>	564,085

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

The management is in the opinion that the Infusion Set Business and Blood Purification Business have operating profit during the period. As at 30 June 2024, management determines that there is no impairment on goodwill.

As at 30 June 2024, management has conducted impairment review on the goodwill of Regenerative Medical Biomaterials Business in accordance with HKAS 36 "Impairment of assets" due to operating loss incurred during the period.

### Impairment assessment of Regenerative Medical Biomaterials Business

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 16. GOODWILL (Continued)

#### Impairment assessment of Regenerative Medical Biomaterials Business (Continued)

The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a ten-year period. The Regenerative Medical Biomaterials Business had not put into production at 30 June 2024, and the management expected it might take one year to launch the new products on the market. The ten-year forecast was based on the timing of launching the Regenerative Medical Biomaterials product and the majority of the expected product life cycle. Management engaged an independent external valuer to assist in performing the impairment assessments. Based on management's calculation, the recoverable amount of the Regenerative Medical Biomaterials Business as at 30 June 2024 amounted to approximately RMB1,874 million (31 December 2023: RMB1,674 million), which was 84.9% (31 December 2023: 64.8%) higher than its carrying amount. Key assumptions used to determine the CGUs' value-in-use were as follows:

	Value assigned to key assumption		Approach to determining key assumption
	30 June 2024	31 December 2023	
Revenue growth (during the average ten-year period)	35.8%	36.8%	Forecasted revenue growth rates and gross profit margin were determined based on industry research and financial forecast on Oral Cavity Repair Membrane, Breast Patch and Hernia Patch.
Gross profit margin (during the average ten-year period)	81.5%	82.9%	
Long-term growth rate after the initial ten-year period	1.0%	1.0%	Estimated based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry in the PRC.
Discount rate	12.7%	13.7%	Reflect specific risks relating to the relevant segment and the country in which the Regenerative Medical Biomaterials Business operates.

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

## 16. GOODWILL (Continued)

### Impairment assessment of Regenerative Medical Biomaterials Business (Continued)

#### Impact of possible changes in key assumptions

If the compound revenue growth rates used in the value-in-use calculation for Regenerative Medical Biomaterials Business had been 12.4% lower than management's estimates at 30 June 2024 (23.4% instead of 35.8%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

If the gross margins used in the value-in-use calculation for Regenerative Medical Biomaterials Business had been 10.6% lower than management's estimates at 30 June 2024 (70.9% instead of 81.5%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

If the pre-tax discount rate applied to the cash flow projections of Regenerative Medical Biomaterials Business had been 5.9% higher than management's estimates (18.6% instead of 12.7%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

## 17. LOAN RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Fixed-rate loan receivables	300,000	300,000
Analysed as:		
Current	120,000	120,000
Non-current	180,000	180,000
	<b>300,000</b>	300,000

On 12 April 2021, a loan advance with the principal of RMB180,000,000 was granted to Beijing Tianxia Pule Medical Investment Co., Ltd., which is a third party independent. The loan is interest bearing at 5.5% per annum. The interest is repayable on a half-yearly basis and the outstanding principal amount was repaid in full on 11 April 2023. On 20 April 2023, the Group was regranted a loan advance with the principal of RMB180,000,000 at the rate of 5.3% per annum with a maturity date in April 2026. The interest is repayable on a half-yearly basis. It is considered to be low risk as the loan is collateralised by the real properties owned by the Borrower located in Beijing with fair value amounted to RMB255,660,000 and therefore the impairment provision is determined as 12 months expected credit losses. The management assessed that the effect of applying the expected credit risk model on loan receivable was immaterial.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 17. LOAN RECEIVABLES (Continued)

On 28 September 2023, a loan advance with the principal of RMB120,000,000 was granted to Zhangjiagang Hua An Investment Co., Ltd., which is a third party independent. The loan is interest bearing at 4.55% per annum. The interest is repayable on a semi-yearly basis. On 31 May 2024, the outstanding principal amount was regranted a loan advance with the principal of RMB120,000,000 at the rate of 4.55% per annum with a maturity date in May 2025. The interest is repayable on a semi-yearly basis. It is considered to be low risk as the loan is collateralised by the real properties owned by the Borrower located in Suzhou with fair value amounted to RMB168,000,000 and therefore the impairment provision is determined as 12 months expected credit losses. The management assessed that the effect of applying the expected credit risk model on loan receivable was immaterial.

### 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
<b>Non-current asset</b>		
Unlisted investment fund (note a)	19,394	19,824
Listed equity securities (note b)	35,107	41,456
	<b>54,501</b>	<b>61,280</b>

Note:

- (a) The underlying assets of the unlisted investment fund represent a private equity fund of investing into medical industry. This Fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in companies and/or its affiliates which is/are engaged in the research and development and sales of medical devices. The Group is a limited partner in this Fund and does not have control nor significant influence in the Fund's operational and financing decisions.

The directors of the Company have determined the fair value of the interest held in the Fund as at 30 June and 31 December 2023 with reference to the valuation report issued by Flagship Appraisals and Consulting Limited, an independent professional valuer who has professional qualifications and relevant experience. The fair value of the Fund is determined by the aggregated value of its investment, which were determined by recent transaction and market approach, which includes guideline public company method and consideration of market index. The resulted in a fair value loss of approximately RMB430,000 (six months ended 30 June 2023: RMB918,000) credited to fair value reserve directly during the period ended 30 June 2024.

- (b) As at 30 June 2024 and 31 December 2023, the Group held 0.65% equity interest in Lepu Biopharma Co., Ltd.. The resulted in a fair value loss of approximately RMB6,617,000 (six months ended 30 June 2023: RMB16,627,000) credited to fair value reserve directly during the period ended 30 June 2024.

These were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The fair value of the listed equity securities investments were determined based on the quoted market closing prices on the Stock Exchange. No dividends were received on this investment nor disposal of investment was made during the period ended 30 June 2024 and the year ended 31 December 2023.

- (c) The detail of the valuation methodology on financial assets at fair value through other comprehensive income is disclosed in note 25.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

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

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

	Unlisted investment fund RMB'000	Listed equity securities RMB'000
<b>At 1 January 2023</b>	19,002	71,327
Change in fair value through other comprehensive income	822	(30,730)
Exchange reserve	—	859
<b>At 31 December 2023 (Audited) and 1 January 2024</b>	19,824	41,456
Change in fair value through other comprehensive income	(430)	(6,617)
Exchange reserve	—	268
<b>At 30 June 2024 (Unaudited)</b>	19,394	35,107

### 19. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables (note i)	<b>64,507</b>	74,456
Bills receivable (note ii)	<b>1,284</b>	1,154
Prepayments and deposits	<b>22,315</b>	15,537
Value added tax recoverable	<b>14,163</b>	15,944
Other receivables	<b>26,381</b>	29,688
Interest receivables	<b>3,109</b>	9,535
Amount due from a related party (note iii)	<b>14,767</b>	34,107
	<b>146,526</b>	180,421

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 19. TRADE AND OTHER RECEIVABLES (Continued)

- (i) Included in trade and other receivables are trade receivables (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Up to 3 months	30,962	32,700
3 months to 6 months	11,135	11,940
6 months to 12 months	7,567	8,464
1 year to 2 years	1,446	4,745
2 years to 3 years	13,397	16,607
	<b>64,507</b>	74,456

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

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

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

#### (iv) Impairment assessment

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicated significantly different loss patterns for different customer segments, the grouping for trade receivables for the assessment of ECLs is by customer segments, while Group C represents distributor customers who identified as having significant increase in risk of default and Group D represents three credit-impaired customers with significant risk of default in prior years but have been repaying their outstanding balances on a monthly basis in accordance with a repayment schedule by the end of 2024 at approximately RMB950,000 per month. Management expects that Group D customers will possibly settle the carrying balance based on historical records.

**19. TRADE AND OTHER RECEIVABLES (Continued)**

**(iv) Impairment assessment (Continued)**

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

30 June 2024	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	5.80	4.90	100	53.41
Gross carrying amount	33,039	21,995	2,118	26,755
Loss allowance	1,915	1,077	2,118	14,290

  

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

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

	RMB'000
<b>At 1 January 2023</b>	25,903
Reversal of impairment losses recognised during the year	(4,174)
<b>At 31 December 2023 (Audited) and 1 January 2024</b>	21,729
Reversal of impairment losses recognised during the period	(2,329)
<b>At 30 June 2024 (Unaudited)</b>	19,400

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Wealth management products — non-principal protected	5,350	4,900

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

The detail of the valuation methodology on financial assets at fair value through profit or loss is disclosed in note 25.

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
<b>At beginning of period/year</b>	<b>4,900</b>	5,630
Addition	<b>1,000</b>	—
Disposal	<b>(550)</b>	(730)
<b>At end of period/year</b>	<b>5,350</b>	4,900

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 21. TRADE AND OTHER PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables	38,567	38,920
Salary and staff welfare payables	31,878	33,641
Dividend payable	71,927	—
Advances from customers	6,386	9,638
Deposits received	3,706	3,789
Value added tax and other taxes	5,985	7,137
Professional service fee	2,604	6,948
Provision for loss from guarantee liability (Note 6)	22,312	21,946
Deferred government grants-current portion	442	1,121
Other payables	8,008	6,940
	<b>191,815</b>	130,080

As at 30 June 2024 and 31 December 2023, except for the advances from customers, deposit received, value added tax and other taxes and deferred government grants 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.

Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Up to 6 months	18,239	23,171
6 months to 12 months	6,717	2,610
Over 1 year	3,980	3,065
2 years to 3 years	1,533	206
Over 3 years	8,098	9,868
	<b>38,567</b>	38,920



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 22. SHARE CAPITAL

	Number of ordinary shares	Share capital RMB'000
<b>Issued and fully paid:</b>		
At 1 January 2023, 31 December 2023 and 1 January 2024	1,565,632,098	962
Cancellation of shares	(2,633,000)	(1)
At 30 June 2024	1,562,999,098	961

During the period ended 30 June 2024, 4,433,000 ordinary shares were repurchases, of which 2,633,000 ordinary shares have been cancelled as at 30 June 2024 and the remaining 1,800,000 ordinary shares have been cancelled as at the date of this report. The total amount paid to acquire the shares was approximately RMB4,302,000 during the period.

### 23. CAPITAL COMMITMENTS

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Commitments for the: Acquisition of property, plant and equipment	<b>32,149</b>	36,052

## 24. RELATED PARTY DISCLOSURES

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

Name of the relate party	Relationship with the Group
Lepu Medical Technology (Beijing) Co., Ltd. (“Lepu Medical”)	Dr. Zhongjie Pu, deemed as the actual controller of Lepu Medical by the Shenzhen Stock Exchange, is the Spouse of Executive Director of the Group

(b) During the period, the Group had the following material related party transactions:

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Related party transactions</b>		
Sales of medical devices		
— Lepu Medical and its subsidiaries (note i)	13,256	11,150
Medical products processing services fee income (note ii)		
— Lepu Medical and its subsidiaries	1,019	902
Purchases of medical devices molds and components (note iii)		
— Lepu Medical and its subsidiaries	1,127	1,016

Notes:

- (i) Sales of medical devices totaling RMB13,256,000 to a related company were conducted in the normal course of business and in accordance with the terms of the agreement between the Company and the related party.
- (ii) Medical products processing services fee income totaling RMB1,019,000 to a related company were conducted in the normal course of business and in accordance with the terms of the agreement between the Company and the related party.
- (iii) Purchases of medical devices molds and components totaling RMB1,127,000 to a related company were conducted in the normal course of business and in accordance with the terms of the agreement between the Company and the related party.

(c) As at 30 June 2024, due from a related party included a balance of RMB14,767,000 (31 December 2023: RMB34,107,000).

### (d) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the period was as follows:

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Salaries and other allowances	2,662	2,826

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### 25. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the financial assets and financial liabilities recognised at the end of reporting period were categorised as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
<b>Financial assets</b>		
— at amortised cost	2,183,094	2,037,696
— at fair value through profit or loss	5,350	4,900
— at fair value through other comprehensive income	54,501	61,280
	<b>2,242,945</b>	2,103,876
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	183,077	109,523

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of investments held for trading with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

HKFRS 13 requires disclosures for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

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

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

Description	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Financial assets at fair value through profit or loss					
— Wealth management product	5,350	4,900	Level 3	Quoted prices from financial institutions	Expected rate of return ranging from 1.72%–2.36% (31 December 2023: 2.06% –2.59%)
Financial assets at fair value through other comprehensive income					
— Unlisted investment fund	19,394	19,824	Level 3	Latest observable transaction prices  Comparable companies valuation, market capitalisation  Price-to-Sale ratio on underlying investment, adjusted by lack of marketability	N/A  Selection of comparable companies and weighting of the selected companies used in valuation  Valuation multiples e.g. P/S, adjusted by discount rate  Discount rate for lack of marketability 14%-18% (31 December 2023: 14%-15%)
— Listed equity securities	35,107	41,456	Level 1	Quoted market prices	N/A

For the financial assets at fair value through profit or loss, it consisted of wealth management products as detailed in Note 20.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

### **25. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY** **(Continued)**

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

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

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

### **26. EVENT AFTER REPORTING PERIOD**

Except as disclosed elsewhere in the interim condensed consolidated financial statements, no significant event took place subsequent to 30 June 2024.