PW MEDTECH GROUP LIMITED
普华和顺集团公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01358)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2013 amounted to approximately RMB457.1 million, representing an increase of 37.9% from approximately RMB331.5 million recorded in 2012.
- Gross profit for the year ended December 31, 2013 amounted to approximately RMB310.4 million, representing an increase of 41.9% from approximately RMB218.8 million recorded in 2012.
- Profit attributable to owners of the Company for the year ended December 31, 2013 amounted to approximately RMB77.9 million, representing an increase of 74.4% from approximately RMB44.7 million recorded in 2012.
- Unaudited adjusted net profit for the year ended December 31, 2013, which was derived by excluding non-operational and one-off items comprising share-based compensation expenses and listing-related expenses (net of tax) from our profit for the year, amounted to approximately RMB140.7 million, representing an increase of 40.4% from approximately RMB100.2 million recorded in 2012.

BUSINESS REVIEW FOR YEAR 2013

PW Medtech Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") is a leading medical device company focused on fast-growing and high-margin segments of the People's Republic of China's (the "**PRC**" or "**China**") medical device industry. The Group holds a leading position in both of its main business lines, namely the orthopedic implant products (the "**Orthopedic Implant Business**") and the infusion set products (the "**Infusion Set Business**").

As a result of sustained growth of Orthopedic Implant Business and Infusion Set Business in 2013, the Group has achieved significant growth over the past year.

In 2013, the Group's revenue, profit before tax and profit attributable to the owners of the Company were RMB457.1 million, RMB113.9 million and RMB77.9 million, representing an increase of 37.9%, a decrease of 4.8% and an increase of 74.4% over 2012, respectively. After excluding non-operational and one-off items comprising (i) listing-related expenses of RMB33.0 million, (ii) the tax implications of the listing-related expenses of RMB3.2 million, and (iii) share-based compensation expenses of RMB19.9 million from the profit for the year, the unaudited adjusted net profit increased by 40.4% to RMB140.7 million from 2012. In 2013, the Group recorded a gross profit of RMB310.4 million, representing an increase of 41.9% over 2012, while the overall gross profit margin slightly increased to 67.9% in 2013 (2012: 66.0%).

Over the past years, with extensive product portfolio and strong research and development ("**R&D**") capabilities, the Group has expanded its product lines and sales network through strategic acquisitions and efficient integrations. The Group has successfully increased its overall revenue and created new growth drivers for its business. In 2013, the Group added new joint products into its portfolio through the acquisition of Shenzhen Bone Medical Device Co., Ltd. (the "**Bone Medical**") (深圳市博恩醫療器材有限公司), which in turn improved its capability of providing comprehensive solutions to hospitals and customers. As a pioneer in the advanced infusion set segment, the Group benefited from the trend of replacing conventional PVC infusion sets by advanced ones due to the increasingly widespread education on the safety of infusion sets. By developing a range of infusion products with good quality and functions, the advanced infusion set products continue to contribute to the Group's overall profit. In 2013, Orthopedic Implant Business and Infusion Set Business have contributed 30.6% and 69.4% to the Group's revenue, respectively.

The Group has placed great focus on R&D. It is committed to dedicating more resources and stronger support to the research capability, for the introduction of brand new products. The success of R&D depends primarily on a professional R&D team and a R&D strategy that caters to the demands of the China market. The Group's R&D team has attracted professional talents from various disciplinary backgrounds, focused on the cooperation with and the development of front-line doctors, continued to strengthen the scientific cooperation with research institutions and universities, and worked to create a demand-oriented R&D model. By improving existing technologies and developing new materials, the Group has increased the number of its patents and further enhanced its R&D capabilities. In recent years, the Orthopedic Implant Business and the Infusion Set Business business segments have launched brand new products such as bridge-link combined fixation system and double-layer TPU-based infusion set.

To meet the growing needs from market expansion, the Group has not only enhanced the utilization rate of existing plants, but is also proactively expanding its production capacity. The Group is planning to add two additional plants in Linyi (Shandong province) and Pinggu (Beijing) to expand its production capacity for advanced infusion sets. The Group has used its distribution network across the country to promote its products in more than 30 provinces, municipalities and autonomous regions in the

People's Republic of China ("**PRC**" or "**China**"), and strengthened the relationship with distributors and medical staff of hospitals through its professional sales and marketing team, thereby continuously improving market recognition and brand awareness of its products.

MARKET REVIEW

In 2013, while the global economic growth remained stagnant and the macroeconomic situation is complicated in China, China maintained steady overall economic growth with a GDP growth rate of 7.7%, driven by the supportive government policies aiming to promote domestic consumption. China's urban population and purchasing power of urban residents grew further as urbanization progressed. This, together with further expanding coverage of healthcare insurance, led to the increasing demand for better quality of life and premium medical services. At the same time, the government has launched numerous supportive policies, such as the Opinions on Promoting the Growth of Medical Service Sector (《關於促進健康服務業發展的若干意見》) officially promulgated in September 2013, for the development of medical service industry. China's medical device industry is experiencing rapid growth due to the Chinese government's substantial investments into the healthcare sector, fast development of the public healthcare insurance system and high disease rate caused by the aging population.

In 2012, China's orthopedic implant market value reached RMB9.5 billion, with a compound annual growth rate ("**CAGR**") of 18.2% from 2008 to 2012. Such growth was even faster in second and third tier cities. Despite the high growth rate, the penetration rate of orthopedic implant products in China still lags far behind developed countries including the United States, indicating vast potential for future growth. The orthopedic implant products can be divided into three categories: trauma implants, spine implants and joint implants, among which trauma implant segment represents the largest share of the orthopedic implant market, whilst spine and joint implants showcase a higher growth rate than trauma implants. Benefiting from the expanding market volume of orthopedic implant products in China and their technical threshold, the orthopedic implant manufacturers with a full product line, technical know-how, robust research and development strength and the capability of unceasingly launching new products will achieve rapid growth.

As the largest infusion set market in the world, China accounted for 57.0% of the global market share. In 2012, the total size of China's advanced infusion set market was 451 million units, with a CAGR of 23.2% from 2008 to 2012, much higher than that of the overall infusion set market. The further improvement of China's healthcare insurance system has created more room for the growth of advanced infusion sets. Therefore, the Group as a manufacturer focusing on advanced infusion sets, can take advantage of its technical strength to fully make use of the vast market demand, and further consolidate its market position in the advanced infusion set industry.

The board of directors (the "**Board**") of the Company is pleased to announce the audited consolidated final results of the Group for the year ended December 31, 2013, together with the comparative figures for the year ended December 31, 2012, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2013

		Year ended December 31,	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**457,083**	331,541
Cost of sales	*4*	**(146,656)**	(112,694)
Gross profit		**310,427**	218,847
Selling expenses	*4*	**(61,942)**	(46,821)
Administrative expenses	*4*	**(112,477)**	(35,603)
Research and development expenses	*4*	**(23,210)**	(9,512)
Other gains — net	*5*	**5,579**	1,570
Operating profit		**118,377**	128,481
Finance income	*6*	**6,774**	329
Finance costs	*6*	**(11,288)**	(9,089)
Finance costs — net	*6*	**(4,514)**	(8,760)
Profit before income tax		**113,863**	119,721
Income tax expense	*7*	**(22,860)**	(19,538)
Profit for the year		**91,003**	100,183
Profit attributable to:			
Owners of the Company		**77,905**	44,668
Non-controlling interests		**13,098**	55,515
		91,003	100,183
Earnings per share attributable to the owners of the Company for the year (expressed in RMB cents per share)			
— Basic	*8*	**6.24**	4.04
— Diluted	*8*	**6.11**	4.04
Dividends	*9*	**—**	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2013

	Year ended December 31,	
	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**91,003**	100,183
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**2,865**	423
Other comprehensive income for the year, net of tax	**2,865**	423
Total comprehensive income for the year	**93,868**	100,606
Attributable to:		
— Owners of the Company	**80,770**	45,091
— Non-controlling interests	**13,098**	55,515
	93,868	100,606

CONSOLIDATED BALANCE SHEET

As at December 31, 2013

		As at December 31,	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Land use rights		**51,759**	31,161
Property, plant and equipment	*10*	**201,121**	115,177
Intangible assets	*11*	**305,263**	207,331
Investment in structured products		**—**	3,000
Deferred income tax assets		**8,385**	5,925
Long-term prepayments		**43,672**	109,004
		610,200	471,598
Current assets			
Inventories	*12*	**95,052**	72,994
Amounts due from related parties		**—**	395
Trade and other receivables	*13*	**241,268**	161,203
Restricted cash		**37,000**	2,657
Cash and cash equivalents		**1,145,641**	212,466
		1,518,961	449,715
Total assets		**2,129,161**	921,313
Equity			
Equity attributable to owners of the Company			
Share capital	*14*	**1,026**	1
Share premium	*14*	**1,647,840**	—
Other reserves		**87,407**	265,018
Retained earnings		**162,423**	84,518
		1,898,696	349,537
Non-controlling interests		**—**	175,164
Total equity		**1,898,696**	524,701

		As at December 31,	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**16,079**	8,389
Deferred income		**2,241**	400
		18,320	8,789
Current liabilities			
Amounts due to related parties		**66**	108,153
Trade and other payables	*15*	**114,513**	242,715
Current income tax liabilities		**4,566**	6,955
Borrowings	*16*	**93,000**	30,000
		212,145	387,823
Total liabilities		**230,465**	396,612
Total equity and liabilities		**2,129,161**	921,313
Net current assets		**1,306,816**	61,892
Total assets less current liabilities		**1,917,016**	533,490

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013

	Attributable to owners of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2012	1	51,871	39,850	91,722	161,526	253,248
Comprehensive income						
Profit for the year	—	—	44,668	44,668	55,515	100,183
Other comprehensive income	—	423	—	423	—	423
Total comprehensive income	—	423	44,668	45,091	55,515	100,606
Transactions with owners						
Non-controlling interests arising on business combination	—	—	—	—	16,817	16,817
Capital contribution to subsidiaries by their then equity owners	—	285,685	—	285,685	—	285,685
Changes in ownership interests in subsidiaries without change of control — introduction of certain financial investors	—	6,428	—	6,428	51,917	58,345
Changes in ownership interests in subsidiaries without change of control — acquiring additional interests	—	(69,637)	—	(69,637)	(110,363)	(180,000)
Consideration paid to the then equity owners and the non-controlling interests for acquisition of a subsidiary under common control	—	(9,752)	—	(9,752)	(248)	(10,000)
Total transaction with owners	—	212,724	—	212,724	(41,877)	170,847
Balance at December 31, 2012	1	265,018	84,518	349,537	175,164	524,701

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2013

	Year ended December 31,	
	2013	2012
	RMB'000	*RMB'000*
Net cash generated from operating activities	**52,807**	24,906
Net cash used in investing activities	**(122,991)**	(117,581)
Net cash generated from financing activities	**1,005,595**	244,030
Net increase in cash and cash equivalents	**935,411**	151,355
Cash and cash equivalents at beginning of the year	**212,466**	61,142
Exchange losses on cash and cash equivalents	**(2,236)**	(31)
Cash and cash equivalents at end of the year	**1,145,641**	212,466

NOTES TO FINANCIAL INFORMATION

1 GENERAL INFORMATION

PW Medtech Group Limited (the "**Company**") was incorporated in the Cayman Islands on May 13, 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is the Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries now comprising the group (the "**Group**") are principally engaged in the development, manufacturing and sale of (i) infusion set products (the "**Infusion Set Business**"); and (ii) orthopedic implants (the "**Orthopedic Implant Business**") in the People's Republic of China (the "**PRC**").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since November 8, 2013.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on March 25, 2014.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning January 1, 2013 and are relevant to the Group:

- Amendment to Hong Kong Accounting Standards ("**HKAS**") 1, "Financial statement presentation" regarding other comprehensive income
- HKFRS 10, "Consolidated financial statements"
- HKAS 27 (revised 2011), "Separate financial statements"
- HKFRS 11, "Joint arrangements"
- HKAS 28 (revised 2011), "Associates and joint ventures"
- HKFRS 12, "Disclosures of interests in other entities"
- Amendments to HKFRSs 10, 11 and 12 on transition guidance
- HKFRS 13, "Fair value measurement"
- Amendment to HKAS 19, "Employee benefit"

- Annual improvements 2011 and 2012

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

New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning January 1, 2013 and have not been early adopted:

- Annual improvements 2013

- HKFRS 9, "Financial instruments'

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

3 SEGMENT INFORMATION

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

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

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

- Orthopedic Implant Business — manufacturing and sale of orthopedic implant products, including the product category of trauma, spine and joints.

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

Year ended December 31, 2013	Infusion Set Business	Orthopedic Implant Business	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	317,391	139,692	457,083
Cost of sales	(108,769)	(37,887)	(146,656)
Gross profit	208,622	101,805	310,427
Selling expenses	(40,131)	(21,811)	(61,942)
Administrative expenses	(77,104)	(35,373)	(112,477)
Research and development expenses	(13,547)	(9,663)	(23,210)
Other gains — net	4,606	973	5,579
Segment profits	82,446	35,931	118,377
Finance income			6,774
Finance costs			(11,288)
Finance costs — net			(4,514)
Profit before tax			113,863
Segment assets	1,691,037	429,739	2,120,776
Deferred income tax assets			8,385
Total assets			2,129,161
Segment liabilities	161,809	52,577	214,386
Deferred income tax liabilities			16,079
Total liabilities			230,465
Other segment information			
Additions to property, plant and equipment	39,953	46,732	86,685
Amortisation of land use right	827	60	887
Depreciation of property, plant and equipment	8,153	7,357	15,510
Amortisation of intangible assets	4,050	876	4,926

Year ended December 31, 2012	Infusion Set Business	Orthopedic Implant Business	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	233,974	97,567	—	331,541
Cost of sales	(88,808)	(23,886)	—	(112,694)
Gross profit	145,166	73,681	—	218,847
Selling expenses	(28,804)	(18,017)	—	(46,821)
Administrative expenses	(18,952)	(16,651)	—	(35,603)
Research and development expenses	(7,115)	(2,397)	—	(9,512)
Other gains — net	610	960	—	1,570
Segment profits	90,905	37,576	—	128,481
Finance income				329
Finance costs				(9,089)
Finance costs — net				(8,760)
Profit before tax				119,721
Segment assets	554,397	361,170	(179)	915,388
Deferred income tax assets				5,925
Total assets				921,313
Segment liabilities	327,796	60,606	(179)	388,223
Deferred income tax liabilities				8,389
Total liabilities				396,612
Other segment information				
Additions to property, plant and equipment	11,655	13,677	—	25,332
Amortisation of land use right	359	60	—	419
Depreciation of property, plant and equipment	8,882	4,559	—	13,441
Amortisation of intangible assets	4,048	24	—	4,072

(a) Concentration of customers

Revenues of approximately RMB53,485,000 (2012: RMB141,624,000) are derived from a single external customer. These revenues are attributable to the Infusion Set Business segment.

(b) Geographical segment information

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

4 EXPENSES BY NATURE

	Year ended December 31,	
	2013	2012
	RMB'000	*RMB'000*
Raw materials and consumable used	**76,336**	72,113
Changes in inventories of finished goods and work in progress	**1,911**	(12,958)
Employee benefits expenses	**108,832**	55,839
Depreciation of property, plant and equipment	**15,510**	13,441
Advertising, promotions and business development costs	**36,449**	28,853
Office and communication expenses	**7,109**	3,624
Direct research costs	**15,160**	4,948
Travelling and entertainment expenses	**7,153**	7,593
Taxes and levis	**4,892**	4,412
Provision for impairment of receivables	**3,280**	1,802
Write-down of inventories to realisable value	**42**	1,324
Low-value consumables	**3,281**	2,283
Operating lease payments	**6,176**	1,838
Transportation costs	**4,554**	4,095
Amortisation of land use rights	**887**	419
Amortisation of intangible assets	**4,926**	4,072
Professional fee	**3,040**	2,874
Listing expenses	**33,024**	—
Auditors' remuneration	**1,600**	150
Utilities	**8,325**	5,787
Others	**1,798**	2,121
Total cost of sales, selling expenses, administrative expenses and research and development expenses	**344,285**	204,630

5 OTHER GAINS — NET

	Year ended December 31,	
	2013	2012
	RMB'000	*RMB'000*
Government grants		
— relating to costs	**5,557**	4,693
— relating to assets	**159**	21
Sales of scraps	**514**	—
Loss on disposal of subsidiaries	**(398)**	—
Loss on disposal of property, plant and equipment	**(749)**	(3,343)
Others	**496**	199
	5,579	1,570

6 FINANCE COSTS — NET

	Year ended December 31,	
	2013	2012
	RMB'000	*RMB'000*
Finance income:		
— Interest income on short-term bank deposits	**(6,774)**	(329)
Total finance income	**(6,774)**	(329)
Finance costs:		
— Interest expense on bank borrowings	**5,024**	500
— Accretion of interest-free loan received from a related party	**1,970**	5,680
— Net foreign exchange loss	**4,294**	2,909
Total finance costs	**11,288**	9,089
Finance costs — net	**4,514**	8,760

7 INCOME TAX EXPENSE

	Year ended December 31,	
	2013	2012
	RMB'000	*RMB'000*
Current income tax	**26,882**	22,542
Deferred income tax	**(4,022)**	(3,004)
Income tax expense	**22,860**	19,538

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

(a) Cayman Islands profits tax:

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

(b) Hong Kong profits tax:

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

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

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

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

(d) Withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

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

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended December 31,	
	2013	2012
	RMB'000	*RMB'000*
Profit before income tax	**113,863**	119,721
Tax calculated at statutory tax rates applicable to profits in the respective countries	**28,466**	29,931
Tax effects of		
Preferential income tax rates applicable to subsidiaries	**(9,782)**	(11,156)
Tax losses for which no deferred income tax asset was recognised	**4,158**	266
Additional deductible allowance for research and development expenses *(a)*	**(1,016)**	(551)
Deemed income for tax purpose	**369**	527
Expenses not deductible for tax purpose	**665**	521
Tax charge	**22,860**	19,538

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

8 EARNINGS PER SHARE

(a) Basic

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

	2013	2012
Profit attributable to equity holders of the Company *(RMB'000)*	**77,905**	44,668
Weighted average number of ordinary shares in issue *(thousands)*	**1,247,860**	1,106,726
Basic earnings per share *(RMB cents per share)*	**6.24**	4.04

(b) Diluted

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

	2013	2012
Profit attributable to equity holders of the Company *(RMB'000)*	**77,905**	44,668
Weighted average number of ordinary shares in issue *(thousands)*	**1,247,860**	1,106,726
Adjustments for share options *(thousands)*	**27,458**	—
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,275,318**	1,106,726
Diluted earnings per share *(RMB cents per share)*	**6.11**	4.04

9 DIVIDENDS

The Board does not propose a final dividend for the year ended December 31, 2013 (2012:Nil).

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities *RMB'000*	Leasehold improvements *RMB'000*	Furniture, fittings and office equipment *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At January 1, 2012							
Cost	43,086	1,152	3,223	44,908	3,379	23,304	119,052
Accumulated depreciation	(3,171)	(728)	(1,040)	(8,220)	(948)	—	(14,107)
Net book amount	39,915	424	2,183	36,688	2,431	23,304	104,945
Year ended December 31, 2012							
Opening net book amount	39,915	424	2,183	36,688	2,431	23,304	104,945
Additions	—	5,382	1,668	10,308	2,548	5,426	25,332
Acquisition of a subsidiary	—	496	174	1,130	—	—	1,800
Transfer	24,621	1,136	—	—	—	(25,757)	—
Disposals	—	—	(7)	(3,452)	—	—	(3,459)
Depreciation	(3,636)	(404)	(830)	(7,606)	(965)	—	(13,441)
Closing net book amount	60,900	7,034	3,188	37,068	4,014	2,973	115,177
At December 31, 2012							
Cost	67,707	8,166	4,839	44,755	5,927	2,973	134,367
Accumulated depreciation	(6,807)	(1,132)	(1,651)	(7,687)	(1,913)	—	(19,190)
Net book amount	60,900	7,034	3,188	37,068	4,014	2,973	115,177
Year ended December 31, 2013							
Opening net book amount	**60,900**	**7,034**	**3,188**	**37,068**	**4,014**	**2,973**	**115,177**
Additions	**278**	**—**	**3,499**	**11,719**	**1,481**	**69,708**	**86,685**
Acquisition of subsidiaries	**15,209**	**—**	**127**	**3,635**	**60**	**—**	**19,031**
Transfer	**452**	**6,380**	**29**	**22,134**	**—**	**(28,995)**	**—**
Disposals	**(3,278)**	**—**	**—**	**—**	**(1)**	**—**	**(3,279)**
Disposals of subsidiaries	**—**	**(261)**	**(74)**	**(648)**	**—**	**—**	**(983)**
Depreciation	**(4,191)**	**(1,406)**	**(1,175)**	**(7,602)**	**(1,136)**	**—**	**(15,510)**
Closing net book amount	**69,370**	**11,747**	**5,594**	**66,306**	**4,418**	**43,686**	**201,121**
At December 31, 2013							
Cost	**79,367**	**14,050**	**8,304**	**81,113**	**7,161**	**43,686**	**233,681**
Accumulated depreciation	**(9,997)**	**(2,303)**	**(2,710)**	**(14,807)**	**(2,743)**	**—**	**(32,560)**
Net book amount	**69,370**	**11,747**	**5,594**	**66,306**	**4,418**	**43,686**	**201,121**

As at December 31, 2012 and 2013, certain buildings with the carrying amounts of RMB34,017,000 and RMB5,844,000 respectively, were pledged for the Group's borrowings.

11 INTANGIBLE ASSETS

	Goodwill	Computer software	Trademark	Technology know-how	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2012						
Cost	148,018	121	11,755	36,440	5,012	201,346
Accumulated amortisation	—	(75)	(522)	(1,620)	(557)	(2,774)
Net book amount	148,018	46	11,233	34,820	4,455	198,572
Year ended December 31, 2012						
Opening net book amount	148,018	46	11,233	34,820	4,455	198,572
Acquisition of a subsidiary	12,831	—	—	—	—	12,831
Amortisation charge	—	(24)	(784)	(2,429)	(835)	(4,072)
Closing net book amount	160,849	22	10,449	32,391	3,620	207,331
At December 31, 2012						
Cost	160,849	121	11,755	36,440	5,012	214,177
Accumulated amortisation	—	(99)	(1,306)	(4,049)	(1,392)	(6,846)
Net book amount	160,849	22	10,449	32,391	3,620	207,331
Year ended December 31, 2013						
Opening net book amount	**160,849**	**22**	**10,449**	**32,391**	**3,620**	**207,331**
Acquisition of subsidiaries	**101,709**	**—**	**—**	**13,903**	**—**	**115,612**
Additions	**—**	**77**	**—**	**—**	**—**	**77**
Disposal of subsidiaries	**(12,831)**	**—**	**—**	**—**	**—**	**(12,831)**
Amortisation charge	**—**	**(26)**	**(784)**	**(3,280)**	**(836)**	**(4,926)**
Closing net book amount	**249,727**	**73**	**9,665**	**43,014**	**2,784**	**305,263**
At December 31, 2013						
Cost	**249,727**	**198**	**11,755**	**50,343**	**5,012**	**317,035**
Accumulated amortisation	**—**	**(125)**	**(2,090)**	**(7,329)**	**(2,228)**	**(11,772)**
Net book amount	**249,727**	**73**	**9,665**	**43,014**	**2,784**	**305,263**

Impairment tests for goodwill

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

	Infusion Set Business	Orthopedic Implant Business	Total
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2012	148,018	12,831	160,849
As at December 31, 2013	160,754	88,973	249,727

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

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

The key assumptions used for value-in-use calculations as at December 31, 2012 and 2013 are as follows:

	Infusion Set Business As at December 31		**Orthopedic Implant Business As at December 31**	
	2013	2012	**2013**	2012
Gross margin	**60.0%**	60.0%	**70.0%**	70.0%
Growth rate	**2.5%**	2.5%	**2.5%**	2.5%
Discount rate	**17.6%**	17.9%	**17.6%**	17.9%

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

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

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

12 INVENTORIES

	As at December 31,	
	2013	2012
	RMB'000	*RMB'000*
Raw materials	**29,397**	21,604
Work in progress	**20,276**	14,930
Finished goods	**45,379**	36,460
Cost of inventories	**95,052**	72,994

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB59,155,000 and RMB78,247,000 for the years ended December 31, 2012 and 2013, respectively.

As at December 31, 2012 and 2013, the ageing analysis of the inventories are as follows:

	As at December 31,	
	2013	2012
	RMB'000	*RMB'000*
Within 12 months	**84,189**	63,366
1 year to 2 years	**5,250**	4,262
Over 2 years	**5,613**	5,366
	95,052	72,994

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

	Year ended December 31,	
	2013	2012
	RMB'000	*RMB'000*
As at January 1	**7,528**	6,204
Provision for impairment of inventories	**42**	1,324
As at December 31	**7,570**	7,528

13 TRADE AND OTHER RECEIVABLES

Group

	As at December 31,	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**212,489**	135,805
Less: provision for impairment	**(7,849)**	(4,569)
Trade receivables — net *(a)*	**204,640**	131,236
Bills receivable *(b)*	**—**	9,096
Prepayments	**7,285**	11,623
Receivable from disposal of subsidiaries	**15,520**	—
Other receivables *(c)*	**13,823**	9,248
	241,268	161,203

As at December 31, 2012 and 2013, except for the prepayments which are not financial assets, the fair value of the trade and other receivables approximated its carrying amounts. As at December 31, 2012 and 2013, the carrying amount of the trade and other receivables is denominated in RMB.

(a) As at December 31, 2012 and 2013, the ageing analysis of the trade receivables based on invoice date are as follows:

	As at December 31,	
	2013	2012
	RMB'000	*RMB'000*
Up to 3 months	**101,358**	84,698
3 to 6 months	**48,657**	18,951
6 months to 12 months	**45,253**	20,766
1 year to 2 years	**7,129**	5,869
2 years to 3 years	**2,243**	952
	204,640	131,236

The credit terms agreed with customers were within 180 days. No interests are charged on the trade receivables. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sales of the goods. This provision has been determined by reference to past collection experience. As at December 31, 2012 and 2013, trade receivables of RMB27,587,000 and RMB54,625,000 were past due but not impaired, respectively. These relate to a number of independent customers for whom there is no significant financial difficulty based on the past experience, the overdue amounts can be fully recovered. The ageing of the past due but not impaired trade receivables are as follows:

	As at December 31,	
	2013	2012
	RMB'000	*RMB'000*
Within 12 months	**45,253**	20,766
1 year to 2 years	**7,129**	5,869
2 years to 3 years	**2,243**	952
	54,625	27,587

As of December 31, 2012 and 2013, trade receivables of RMB4,569,000 and RMB7,849,000 were past due and impaired, respectively. The impairment provision was RMB4,569,000 and RMB7,849,000 as at December 31, 2012 and 2013, respectively. It was assessed that a portion of the receivables is expected to be recovered. The individually impaired receivables mainly relate to certain customers, which are in unexpected difficult economic situations.

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

	Year ended December 31,	
	2013	2012
	RMB'000	*RMB'000*
As at January 1	**4,569**	2,767
Provision for impairment of receivables	**3,280**	1,802
As at December 31	**7,849**	4,569

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

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

	As at December 31,	
	2013	2012
	RMB'000	*RMB'000*
Advances to employees	**4,908**	3,001
Deposits	**4,512**	1,452
Interest receivable	**2,882**	—
Receivables due from a customer	**—**	4,000
Others	**1,521**	795
	13,823	9,248

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

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

14 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares *USD'000*	Equivalent nominal value of ordinary share *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Authorised:					
Ordinary shares of USD1 each *(a)*	50,000	50	315	—	315
Ordinary shares of USD0.0001 each, subsequent to share split *(c)*	500,000,000	50	315	—	315
Increase of authorised ordinary shares *(d)*	5,000,000,000	500	3,150	—	3,150
Balance at January 1, 2012 and December 31, 2012 *(b)*	100	0.1	1	—	1
Balance at January 1, 2013	100	0.1	1	—	1
Share split *(c)*	999,900	—	—	—	—
Issuance of ordinary shares *(e)*	93,274,345	9.3	58	555,987	556,045
Capitalisation of share premium *(f)*	1,105,725,655	111	685	(685)	—
Issuance of new ordinary shares upon IPO *(g)*	460,000,000	46	282	1,149,171	1,149,453
Share issuance cost *(h)*	—	—	—	(56,633)	(56,633)
Balance at December 31, 2013	1,660,000,000	166.4	1,026	1,647,840	1,648,866

(a) The Company was incorporated in the Cayman Islands on May 13, 2011 with an authorised capital of USD50,000 divided into 50,000 shares of a nominal value of USD1 each.

(b) Upon the incorporation of the Company, 100 ordinary shares of a nominal value of USD1 each were issued to its shareholder, Cross Mark Limited, at cash consideration of USD100 (equivalent to approximately RMB1,000).

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

(d) Pursuant to the written resolution of shareholders passed on October 14, 2013, the authorised share capital of the Company was increased from USD50,000 divided into 500,000,000 shares of a nominal value of USD0.0001 each to USD500,000 divided into 5,000,000,000 shares of a nominal value of USD0.0001 each by creation of 4,500,000,000 shares of a nominal value of USD0.0001 each.

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

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

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

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

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

(g) On November 8, 2013 and November 21, 2013, upon its listing on the Main Board of The Stock Exchange of Hong Kong Limited and upon the exercise of over-allotment option, the Company issued 400,000,000 new ordinary shares and 60,000,000 new ordinary shares at par value of USD0.0001 per share for cash consideration of HK$3.18 each respectively, and raised gross proceeds of approximately HK$1,462,800,000 (equivalent to RMB1,149,453,000).

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

15 TRADE AND OTHER PAYABLES

Group

	As at December 31,	
	2013	2012
	RMB'000	*RMB'000*
Trade payables	**33,874**	16,014
Salary and staff welfare payables	**24,431**	18,341
Advances from customers	**9,801**	20,561
Interest payables	**—**	160
Consideration payable for transaction with non-controlling interests	**9,712**	180,000
Operating expense payables	**7,231**	—
Research and development expenses payables	**2,400**	—
Value added tax and other taxes	**5,906**	4,170
Deposits	**—**	721
Payables for purchase of land use rights	**8,000**	1,000
Bills payable	**—**	230
Accrued auditors' remuneration	**1,600**	—
Listing expenses payable	**8,615**	—
Other payables	**2,943**	1,518
	114,513	242,715

As at December 31, 2012 and 2013, except for the advances from customers 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.

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

At December 31, 2012 and 2013, the ageing analysis of the trade payables based on invoice date are as follows:

	As at December 31,	
	2013	2012
	RMB'000	*RMB'000*
Up to 3 months	**26,713**	13,741
3 to 6 months	**3,768**	310
6 months to 12 months	**2,978**	40
1 year to 2 years	**126**	582
2 years to 3 years	**278**	50
Over 3 years	**11**	1,291
	33,874	16,014

The ageing of bills payable is within 180 days, which is within the credit term.

16 BORROWINGS

	As at December 31,	
	2013	2012
	RMB'000	*RMB'000*
Current bank borrowings — secured/guaranteed *(a)*	**93,000**	30,000

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

	As at December 31,	
	2013	2012
	RMB'000	*RMB'000*
Secured by the pledge of buildings with an aggregate carrying amount of RMB6,595,000 at December 31, 2012 and of RMB5,884,000 at December 31, 2013, respectively	**15,000**	10,000
Secured by the pledge of land use right with an aggregate carrying amount of RMB27,928,000 at December 31, 2013	**25,000**	—
Secured by the pledge of buildings with an aggregate carrying amount of RMB27,422,000 at December 31, 2012, and guaranteed by Fert Medical Device Co., Ltd. and subsequently released in September 2013, and jointly guaranteed by Zhang Wendong, a family member of Ms. Yufeng Liu, and his family member and subsequently released in September 2013	**—**	20,000
Secured by the pledge of restricted cash with an aggregate carrying amount of RMB37,000,000 at December 31, 2013	**35,000**	—
Guaranteed by He Zhibo, a senior management of the Group	**10,000**	—
Jointly guaranteed by Wu Dong, a senior management of the Group, and his family member	**8,000**	—
	93,000	30,000

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

The maturity of the borrowings is as follows:

	As at December 31,	
	2013	2012
	RMB'000	*RMB'000*
On demand or within 1 year	**93,000**	30,000

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

	As at December 31,	
	2013	2012
Current bank borrowings	**7%**	7%

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

FINANCIAL REVIEW

Item	2013	2012	change %
	RMB'000	*RMB'000*	
Revenue			
Infusion Set Business	**317,391**	233,974	35.7%
Orthopedic Implant Business	**139,692**	97,567	43.2%
Total revenue	**457,083**	331,541	37.9%
Profit for the year	**91,003**	100,183	–9.2%
Earnings before interests and tax ("**EBIT**")	**120,857**	125,901	–4.0%
Earnings before interests, tax, depreciation and amortization ("**EBITDA**")	**142,180**	143,833	–1.2%
Profit attributable to owners of the Company	**77,905**	44,668	74.4%
Unaudited adjusted net profit[1]	**140,686**	100,183	40.4%
Unaudited adjusted EBIT[2]	**173,737**	125,901	38.0%

Notes:

(1) Unaudited adjusted net profit was derived by excluding non-operational and one-off items comprising share-based compensation expenses and listing-related expenses (net of tax) from our profit for the year.

(2) Unaudited adjusted EBIT was derived by excluding non-operational and one-off items comprising share-based compensation expenses and listing-related expenses from our EBIT.

Revenue

The revenue of the Group increased by 37.9% from RMB331.5 million in 2012 to RMB457.1 million in 2013, reflecting an increase in primarily the sale of Infusion Set Business and Orthopedic Implant Business.

Revenue from the Infusion Set Business amounted to RMB317.4 million in 2013, representing an increase of 35.7% from 2012. The increase is mainly derived from the expansion of the Company's sales network, the increased recognition of its advanced infusion set products, which in turn strengthened and expanded the Company's market share. In addition, promotion of non-PVC-based infusion sets and increase in price of such products also contributed to the revenue growth.

Revenue from the Orthopedic Implant Business amounted to RMB139.7 million in 2013, representing an increase of 43.2% from 2012, which is mainly attributable to the introduction of the new products, such as bridge-link systems and joint implants, and the expansion of the Company's sales network.

Gross profit

The Group's gross profit increased by 41.9% from RMB218.8 million in 2012 to RMB310.4 million in 2013. The gross profit margin increased from 66.0% in 2012 to 67.9% in 2013, is primarily attributable to (i) the use of newly developed substitutive materials and new technologies which slightly decreased the unit cost while the average selling price maintained in a slightly upward trend; and (ii) the launch of high-margin new products improved product portfolio and profit margin.

Gross profit of Infusion Set Business improved mainly due to increasing average price and decreasing unit cost. The promotion of the non-PVC-based advanced infusion sets further contributed to a higher gross profit margin of the Infusion Set Business, which rose from 62.0% in 2012 to 65.7% in 2013.

However, the gross profit margin of Orthopedic Implant Business decreased from 75.5% in 2012 to 72.9% in 2013, mainly due to the fact that Bone Medical's joint implants and tools were still in the phase of trial production, resulting in a gross profit margin lower than the industry average level.

Other gains — net

Other gains increased by 250.0% from RMB1.6 million in 2012 to RMB5.6 million in 2013, mainly due to the increase in government grants.

Selling expenses

Selling expenses increased by 32.3% from RMB46.8 million in 2012 to RMB61.9 million in 2013. This increase was mainly attributable to market development and product promotion.

Administrative expenses

Administrative expenses increased by 216.0 % from RMB35.6 million in 2012 to RMB112.5 million in 2013. This increase was mainly due to the listing expenses of RMB33.0 million and share-based compensation expenses of RMB19.9 million in 2013. With the impact of such RMB52.9 million in expenses excluded, the administrative expenses increased by approximately RMB24.0 million, mainly due to the increase in employee compensation, transportation and office expenses, which was in line with the business expansion.

Research and development expenses

Research and development expenses increased by 144.0% from RMB9.5 million in 2012 to RMB23.2 million in 2013, mainly due to the increase in research and development inputs and efforts.

Finance expenses — net

Finance income in 2013 increased by RMB6.4 million from RMB0.4 million in 2012 to RMB6.8 million in 2013, primarily due to the interest income derived from the bank deposits of the proceeds from the IPO. The finance costs in 2013 increased by RMB2.2 million from RMB9.1 million in 2012 to RMB11.3 million in 2013, mainly due to the interest expense of working capital loans and foreign exchange loss.

Income tax expense

Income tax expense increased from RMB19.5 million in 2012 to RMB22.9 million in 2013. The effective tax rate increased from 16.3% in 2012 to 20.1% in 2013. The main reason for the increase is that no deferred income tax asset was recognised on tax losses of certain subsidiaries.

Net profit and unaudited adjusted net profit

For the foregoing reasons, the net profit for the year of the Group was down by 9.2% from RMB 100.2 million in 2012 to RMB91.0 million in 2013.

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use unaudited adjusted net profit as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our unaudited adjusted net profit for the year ended December 31, 2013, derived by excluding non-operational and one-off items comprising the listing expenses of RMB33.0 million, the corresponding income tax of RMB3.2 million, and the share-based compensation expenses of RMB19.9 million, was RMB140.7 million in 2013, which represent an increased by 40.4% from 2012.

Trade and other receivables

The Group's trade receivables were primarily the outstanding proceeds from credit sales. Other receivables of the Group were primarily outstanding considerations from the disposal of the equity interests in Tianjin Renli Orthopedic Instrument Co., Ltd. ("**Renli Orthopedic**") (天津市人立骨科器械有限公司) and Tianjin Yinger Biotechnology Co., Ltd. ("**Yinger Biotechnology**") (天津市英爾生物技術有限公司). As of December 31, 2013, the trade and other receivables of the Group were RMB241.3 million, representing an increase of approximately RMB80.1 million, as compared to RMB161.2 million as of December 31, 2012. This was primarily due to the increase in revenue. The increase was also due to prolonged credit period in direct sales of infusion set products to hospitals, and outstanding payment of considerations for the disposal of subsidiaries.

Inventory

Inventories increased by 30.3% from RMB73.0 million as of December 31, 2012 to RMB95.1 million as of December 31, 2013, which is in line with the business expansion of the Group.

Property, plant and equipment

Property, plant and equipment included buildings, machinery equipment and construction under progress. As of December 31, 2013, the property, plant and equipment of the Group amounted to RMB201.1 million, representing an increase of RMB85.9 million, as compared to RMB115.2 million as of December 31, 2012. The increase was primarily due to the acquisition and construction of new facilities and production lines for expansion of production facilities.

Intangible assets

Intangible assets mainly included goodwill, computer software, trademarks, patents, technological know-how and customer relationships. The Group's goodwill occurs from acquisitions of subsidiaries. As of December 31, 2013, the net value of the Group's intangible assets was RMB305.3 million, representing an increase of RMB98.0 million as compared to RMB207.3 million as of December 31, 2012. The increase was primarily due to the goodwill of RMB89.0 million from the acquisition of Bone Medical, and the goodwill of RMB12.7 million from the acquisition of Xuzhou Yijia Medical Instrument Co., Ltd. (the "**Yijia Medical**") (徐州一佳醫療器械有限公司).

Working capital and financial resources

As of December 31, 2013, the carrying amount of the Group's cash and cash equivalents was RMB1,145.6 million (2012: RMB212.5 million), and the carrying value of the restricted cash was RMB37.0 million (2012: RMB2.7 million).

As of December 31, 2013, the Group had short-term borrowing amounting to RMB93.0 million (December 31, 2012: RMB30.0 million).

Cash flow analysis

For the year ended December 31, 2013, the Group's annual net cash inflow generated from operating activities was RMB52.8 million.

For the year ended December 31, 2013, the Group's annual cash outflow used in the investing activities was RMB123.0 million, primarily due to the acquisition and construction of property, plant and equipment.

For the year ended December 31, 2013, the Group's annual cash inflow from financing activities was RMB1,005.6 million, primarily due to the net proceeds of approximately RMB1,059.8 million from the IPO.

Capital expenditure

During the year ended December 31, 2013, the Group incurred expenditure of RMB77,000 on purchase of intangible assets — computer software; expenditure of RMB17.0 million on purchase of property, plant and equipments; expenditure of RMB69.7 million on construction under progress including facilities and production lines; and expenditure of RMB12.1 million on acquisition of land use right.

Material acquisitions and disposal

During the year ended December 31, 2013, the Group acquired 60.0% equity interest in Bone Medical at a consideration of RMB105.0 million, and later acquired its remaining 40.0% equity interest at a consideration of RMB58.4 million. The Group acquired 100.0% equity interest in Yijia Medical at a consideration of RMB20.0 million.

During the year ended December 31, 2013, the Group acquired the remaining 21.0% equity interest in Tianjin Walkman Biomaterial Co., Ltd. (the "**Walkman Biomaterial**") (天津市威曼生物材料有限公司) at a consideration of RMB120.0 million. After the acquisition, Walkman Biomaterial became the Group's wholly-owned subsidiary.

The considerations of the foregoing acquisitions were determined in accordance with general commercial terms after fair negotiations.

During the year ended December 31, 2013, the Group disposed of all of its holding of 60.0% equity interest in Renli Orthopedic at a consideration of RMB10.8 million.

During the year ended December 31, 2013, the Group disposed of its 100.0% equity interest in Yinger Biotechnology at a consideration of RMB8.6 million.

Contingent liabilities and guarantees

As of December 31, 2013, the Group did not have any material contingent liabilities or guarantees.

Capital commitment

As of December 31, 2013, the total capital commitment of the Group was RMB29.0 million, comprising mainly the contracted commitment for capital expenditure in property, plant and equipment.

Foreign exchange risk

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

Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from borrowings including interest-free loans received from a related party. Borrowings issued at variable rates exposed the Group to cash flow interest rate risk, which is partially offset by cash, held at variable rates. Borrowings obtained at fixed rates exposed the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risks.

Credit risk

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

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are the four largest state-owned commercial banks, or public listed companies. Most of the bank deposits of the Group are placed with financial commercial banks with a BBB+ or higher Standard and Poor credit rating.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up actions will be taken taken to recover overdue debts. We grant credit limits to certain customers in consideration of their payment history and business performance. Prepayment is usually required for orders placed over credit limits. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of the year to ensure adequate impairment losses are made for irrecoverable amounts.

FUTURE PROSPECTS

Looking into 2014, China's economy will continue to enjoy steady growth. With expectation that the demand for orthopedic implants and advanced infusion sets will remain strong, we are optimistic that our business will continue to enjoy sustainable and healthy growth. The urbanization gives impetus to the economic growth, per capita disposable income of urban residents continues to grow, the government increases its investment in healthcare reform, and the system of public medical care insurance is improving. Therefore, the Company believes that the demand for medical service will be driven significantly higher. The Orthopedic Implant Business and the Infusion Set Business, the two fast-growing and high-margin segments of China's medical device industry, will witness further expansion in the coming five years.

According to Frost & Sullivan, from 2013 to 2017, China's orthopedic implant and advanced infusion set markets are expected to grow at CAGRs of 18.1% and 24.5%, respectively. The orthopedic implant market will have a higher growth rate in the second and third tier cities, which is in line with the Group's target markets for orthopedic implant distribution network. The Group is committed to taking development opportunities in the orthopedic implant market in the second and third tier cities and the advanced infusion sets market in the first tier cities.

The advanced infusion sets are expected to replace conventional PVC-based infusion sets in China as consumers grow increasingly aware of the safety benefits of advanced infusion sets over the conventional PVC-based infusion sets. We believe that this will lead to a rapid expansion of the advanced infusion sets market in China, thus allowing advanced infusion sets manufacturers like the Group, to enjoy sustainable and steady growth.

We will further increase the investment in R&D and strengthen our relationship with hospitals and research institutions, to develop new products, broaden and deepen the product mix, increase market penetration by enhancing our promotion efforts across the national distribution market. While maintaining the rapid growth of Orthopedic Implant Business and Infusion Set Business, the Group will continue to implement our established core strategy of focusing on medical device market that enjoys high-growth and high-margin. The Group has outstanding acquisition and integration track record, and it is actively seeking acquisition opportunities to achieve sustainable and rapid business growth. The Group firmly believes that through continuous integration of its resources, it will enhance its overall operational efficiency and profitability effectively.

EMPLOYEES

As at December 31, 2013, the Group had a total of approximately 1,931 employees. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and are determined with reference to their experience, qualifications and general market conditions.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on November 8, 2013 (the "**Listing Date**").

FINAL DIVIDEND

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

CHANGE OF ADDRESS OF HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

With effect from March 31, 2014, the Company's headquarters and principal place of business in the PRC will change its address from 505–506, Block C, Focus Square, No. 6 Futong East Avenue, Wangjing, Chaoyang District, Beijing, PRC to:

1002–1003, Block C, Focus Square
No. 6 Futong East Avenue
Wangjing, Chaoyang District
Beijing, PRC

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from March 31, 2014, the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited (the "**Branch Share Registrar**"), will change its address from 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong to:

Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

CLOSURE OF REGISTER OF MEMBERS FOR 2014 AGM

The Company proposes to hold its 2014 annual general meeting (the "**2014 AGM**") on May 28, 2014. For determining the entitlement to attend and vote at the 2014 AGM, the register of members of the Company will be closed from May 26, 2014 to May 28, 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2014 AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates are lodged with the Branch Share Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from March 31, 2014) for registration no later than 4:30 p.m. on May 23, 2014.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date hereof, the Company has maintained the public float as required by the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) (the "**Listing Rules**").

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Code to date.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to the date hereof. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the aforesaid period.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The audit committee of the Company (the "**Audit Committee**"), comprising Mr. Wang Xiaogang, Mr. Chen Geng and Ms. Yue'e Zhang, has reviewed with management the consolidated financial statements for the year ended December 31, 2013, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

The Audit Committee has reviewed the remuneration and independence of the auditor of the Company, PricewaterhouseCoopers, and recommended the Board to re-appoint PricewaterhouseCoopers as the Company's auditor for 2014, which is subject to the approval of the shareholders of the Company at the 2014 AGM.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2013 as set out in this announcement have been agreed by the auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

APPRECIATION

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

By Order of the Board
PW Medtech Group Limited
Lin Junshan
Chairman of the Board

Hong Kong, March 25, 2014

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