PW MEDTECH GROUP LIMITED
普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

KEY FINANCIALS

- Revenue from continuing operations for the year ended December 31, 2018 amounted to approximately RMB310.8 million, representing an increase of 8.3% from approximately RMB286.9 million recorded in 2017.
- Gross profit from continuing operations for the year ended December 31, 2018 amounted to approximately RMB195.2 million, representing an increase of 11.9% from approximately RMB174.5 million recorded in 2017.
- Profit attributable to owners of the Company for the year ended December 31, 2018 amounted to approximately RMB1,665.6 million, representing an increase of 1,264.3% from approximately RMB122.1 million recorded in 2017.
- Profit attributable to owners of the Company from continuing operations for the year ended December 31, 2018 amounted to approximately RMB114.8 million, representing an increase of 246.7% from approximately RMB33.1 million recorded in 2017.

MARKET AND BUSINESS REVIEW

In 2018, medical device companies in the People's Republic of China (the "**PRC**" or "**China**") generally maintained a positive trend of improving business performance despite the downward pressure faced by the Chinese economy under the influence of global economic tension. According to the latest report issued by TrendForce, a global market research organization, the size of global medical device market is estimated to reach US$444.2 billion in 2018, and the production values will rise to US$577.6 billion in 2023, representing a compound annual growth rate of 5.4% during the year ended December 31, 2018. From the perspective of industry environment, aging population and the development of a new generation of information technology may build up the development momentum for the medical device industry and bring along explosive growth in market demand for medical devices in the future.

China's medical device industry is benefiting from sound development opportunities and the continuous improvement of the policy environment. With strong emphasis placed on the development of the medical device industry, the government frequently introduced favourable policies to comprehensively stimulate the medical device industry in aspects such as technological innovation and approval procedures. In 2018, in order to encourage the research and development (the "**R&D**") of innovative medical devices, the National Medical Products Administration (國家藥品監督管理局) has set up a special channel for prioritized approval, aiming to expedite the approval procedure of innovative medical devices that possess intellectual property rights in the PRC, reach an internationally leading level and have a high clinical application value, and those products that are supported by the National Science and Technology Major Projects (國家科技重大專項) and the National Key Research and Development (國家重點研發計劃), pass the clinical trials carried out by the National Clinical Medical Research Center (國家臨床醫學研究中心) and obtain approvals from the administration department of the center. In October 2018, the State Council issued the Notice on Promoting the Reform of "Separating Permits from Business Licenses Nationwide" (《關於在全國推開"證照分離"改革的通知》), which announced that, with effect from November 10, 2018, the reform of "separating permits from business license" will be implemented nationwide with the first group of 106 enterprises by means of direct cancellation of approval, replacement of approval with filling, the implementation of notification and commitment system, and optimization in services for accessing the market. The government has been devoting greater effort to prioritizing approval of medical devices and prioritized approval for advanced medical devices is expected to become a common practice, which will fuel the rapid growth of the medical devices sector. It is generally expected that given the increasing efficiency of approval procedures for medical devices, the size of medical device industry in China will grow rapidly in the future and outstanding domestic medical device companies will continue to expand with increasing market share in the domestic market over the years.

PW Medtech Group Limited ("**PW Medtech**" or the "**Company**", together with its subsidiaries, the "**Group**") is a leading medical device company in the PRC with a focus on fast-growing and high-margin segments of medical device industry of the PRC. Currently, it is principally engaged in the R&D, manufacturing and sales of advanced infusion set products. As a pioneer of the industry, PW Medtech has been striving to capture every opportunity in the market to expand into the new markets with huge development potential and maintain its leading position in the industry. During the year ended December 31, 2018, the Group was committed to enriching its product portfolio and constantly enhancing its product innovation and R&D capabilities. After expanding its product line into the intravenous cannula sector, the Group intends to launch safe and reliable insulin injection products targeting massive diabetes patients in China so as to further expand its market, optimize its business layout and enhance the Group's comprehensive competitiveness.

For the year ended December 31, 2018, the Group's revenue was RMB310.8 million, representing an increase of 8.3% over 2017. For the year ended December 31, 2018, the Group's profit for the year and profit attributable to owners of the Company amounted to RMB1,666.3 million and RMB1,665.6 million, respectively, representing an increase of 1,001.0% and 1,264.3% over last year, respectively. The Group recorded a gross profit of RMB195.2 million for the year ended December 31, 2018, representing an increase of 11.9% over last year, and the overall gross profit margin of the Group was 62.8%.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

With regard to the advanced infusion set business (the "**Infusion Set Business**") segment, the Group has been focusing on providing a safer and more reliable solution for infusion therapy through continuous improvement of manufacturing materials for infusion sets with a view to minimizing the risk of infusion therapy. Infusion sets play an irreplaceable role in a medical therapy and safety is the issue that patients concern most during the infusion therapy. The Group has always attached great importance to the safe infusion concept and strived to provide all medical institutions with reliable precision filter infusion sets through R&D as well as innovation. We provide the public with a reliable infusion solution by upgrading our products without changing the operational behaviors of medical staff. In the future, the Group will continue to increase the investment in R&D and seek technological innovation, aiming to provide a more secure infusion product portfolio to the public. During the year ended December 31, 2018, in addition to the ongoing efforts in enhancing the R&D of advanced infusion set products, the Group focused on the R&D and sales of intravenous cannula products. In view of the rapid growth in the Group's intravenous cannula business last year, we expect that the intravenous cannula market in the PRC will maintain a higher growth rate in the coming three years. Up to the date of this announcement, the Group has obtained two registration certificates for intravenous cannula products and will apply for three registration certificates within the next twelve months, which are expected to be approved in the near future. The Group will continue to strengthen our leading position in the advanced infusion medical device market and lead the development of the industry.

Following the completion of the share exchange transaction with China Biologic Products Holdings, Inc. ("**CBPO**") in January 2018, the Group invested approximately US$80.72 million for the further acquisition of 800,000 shares in CBPO in August 2018 and increased its shareholding in CBPO to 6,321,000 shares. Currently, the Group remains as the single largest shareholder of CBPO holding approximately 16.06% of the issued share capital of CBPO. CBPO has an established plasma business with good track record and it is a leading producer in the blood products in mainland China. The Group believes that the strategic cooperation with CBPO can bring new blood for its business, which enables the Company to further diversify its business, optimize the business layout, solidify its market leading position and realise rapid growth.

In order to further consolidate our resources and maximize corporate efficiency, the Group disposed of a subsidiary engaged in medical-cosmetic-graded mask business in December 2018. After divesting such business, the Group is able to better utilize its resources in other existing segments with a higher growth rate, which is believed to be in the interest of the Group and its shareholders.

In November 2018, the new factory of the Group's advanced infusion set business located at the Mafang Industrial Park (馬坊工業園區) officially commenced operation. Located in the southwest of Pinggu District, Beijing, the PRC, the new factory lies in the core area of Beijing-Tianjin-Hebei region and occupies a central location in Bohai Economic Rim, which is the "entry point" and serves as a "hub" for Beijing to integrate with the Beijing-Tianjin-Hebei region.

In the future, the Group will continue to be committed to the R&D and innovation of new products and plan to launch its self-developed insulin injection needles and insulin injection pens in the market. According to the latest statistics of the National Health Commission (國家衛生健康委員會), the prevalence rate of diabetes among Chinese adults is as high as 11.6% with the number of patients exceeding 114 million. Traditional insulin injection needles and insulin injection pens have certain safety risks and hence it may be difficult for patients to maintain a stable blood glucose level. With years of extensive experience in the advanced infusion set segment and stringent quality control technology, the Group will, through technological innovation, introduce brand-new insulin infusion sets that are stable and reliable in the future. The self-developed insulin injection needles and insulin injection pens of the Group can effectively control the doses of insulin taken by diabetes patients, providing safe insulin injection solutions for numerous diabetes patients. Meanwhile, such products will help to further expand the business channels of the Company, broaden its business layout and enhance the competitive edges of the Group.

Emphasis on R&D and Innovation

As an industry leader in emphasizing R&D and innovation, the Group has an R&D team with experienced members. The team cooperates closely with surgeons, hospitals (especially Class III Grade A hospitals), first class university research centers and other research institutions. As of December 31, 2018, the Group owned 59 patents for advanced infusion set products. Furthermore, the Group has applied for 22 new patents. The Group will continue to invest in product innovation and R&D and strive to maintain its leading position in the industry.

Expansion of Distribution Network

The Group currently has an experienced and dedicated team of professional sales and marketing staff to support and consolidate distribution networks in 31 provinces, municipalities and autonomous regions in China, and enhance product promotion for all of its business segments. Our core salesmen have an average of ten years of experience in their respective fields, and half of the members of the sales and marketing team have medical training backgrounds, which enables them to communicate with doctors and nurses in a professional and effective manner.

Strategic Acquisitions

With the improvement of people's living standards in China and the increase of the awareness of medical healthcare, favorable national policies regarding the medical device industry in China have been continuously promulgated and the demand for medical device products has been continuously increasing and overall, the medical device industry in China has entered into a rapid growing phase. According to the Annual Report on the Development of the Medical Device Industry in China (2018) (中國醫療器械行業發展報告(2018)), the medical device industry will continue to develop soundly under supportive policies in 2018. The new development cycle of the medical device industry has commenced. The development of the medical device industry will shift from a fragmented mode towards a more centralized one. The demand for mergers and acquisitions of the medical device industry in China is huge and industry integration will definitely be the direction of future development. In order to seize the business opportunities, the Group will continue to seek fast-growing and high-margin business with high growth potential within and outside of our current business segments so as to scale up the business landscape and consolidate its leading position in the industry.

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the audited consolidated final results of the Group for the year ended December 31, 2018, together with the comparative figures for the year ended December 31, 2017, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Continuing operations			
Revenue	*4*	**310,813**	286,913
Cost of sales		**(115,570)**	(112,386)
Gross profit		**195,243**	174,527
Other (losses)/gains	*5*	**(19,732)**	8,611
Selling and marketing expenses		**(72,917)**	(54,785)
General and administrative expenses		**(44,007)**	(70,560)
Research and development expenses		**(26,905)**	(13,114)
Operating profit		**31,682**	44,679
Finance (cost)/income — net	*7*	**(5,869)**	402
Share of result of an associate		**100,762**	—
Profit before income tax	*6*	**126,575**	45,081
Income tax expenses	*8*	**(11,064)**	(11,304)
Profit for the year from continuing operations		**115,511**	33,777
Discontinued operations			
Gain on disposal of subsidiaries, net of tax	*18*	**1,550,802**	—
Profit for the year from discontinued operations	*19*	**—**	117,565
Profit for the year		**1,666,313**	151,342

	Notes	2018 RMB'000	2017 RMB'000
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(2,890)**	(42)
Share of exchange differences reserve of an associate		**80,741**	—
Reclassification from exchange differences reserve to profit or loss on disposal of subsidiaries		**(8,342)**	—
Reclassification from exchange differences reserve to profit or loss on deemed disposal of an associate		**(2,150)**	—
Items that will not be subsequently reclassified to profit or loss			
Gain on revaluation of property, plant and equipment on transfer of investment properties	*11*	**3,435**	—
Deferred tax liability on recognition of revaluation of properties		**(859)**	—
Other comprehensive income/(loss) for the year		**69,935**	(42)
Total comprehensive income for the year		**1,736,248**	151,300
Profit for the year attributable to:			
Owners of the Company		**1,665,614**	122,084
Non-controlling interests		**699**	29,258
		1,666,313	151,342
Profit attributable to owners of the Company arises from:			
Continuing operations		**114,812**	33,119
Discontinued operations		**1,550,802**	88,965
		1,665,614	122,084
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,735,549**	122,042
Non-controlling interests		**699**	29,258
		1,736,248	151,300

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Total comprehensive income attributable to owners of the Company arises from:			
Continuing operations		**184,747**	33,077
Discontinued operations		**1,550,802**	88,965
		1,735,549	122,042
		RMB Cents	*RMB Cents*
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the year	*10*		
Basic earnings per share			
From continuing operations		**7.32**	2.10
From discontinued operations		**98.85**	5.64
		106.17	7.74
Diluted earnings per share			
From continuing operations		**7.32**	2.10
From discontinued operations		**98.85**	5.64
		106.17	7.74

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Land use rights		**33,608**	47,118
Property, plant and equipment		**709,348**	837,820
Investment properties	*11*	**278,143**	—
Intangible assets		**184,437**	187,811
Interest in an associate	*12*	**3,568,906**	—
Deferred income tax assets		**2,514**	5,412
Long-term prepayments		**13,403**	8,486
Trade receivables		**—**	30,200
		4,790,359	1,116,847
Current assets			
Inventories	*13*	**40,365**	45,807
Trade and other receivables	*14*	**235,062**	243,330
Amount due from an associate		**27,497**	—
Amounts due from Disposal Group		**—**	27,722
Prepaid income tax		**2,723**	1,759
Cash and cash equivalents		**98,964**	364,259
		404,611	682,877
Assets of Disposal Group classified as held for sale	*18*	**—**	1,368,929
Total current assets		**404,611**	2,051,806
Total assets		**5,194,970**	3,168,653

	Notes	**2018** RMB'000	2017 RMB'000
Current liabilities			
Trade and other payables	*15*	**94,641**	54,826
Amount due to an associate		**27,952**	—
Amounts due to Disposal Group		**—**	28,330
Bank borrowing	*16*	**567,724**	—
		690,317	83,156
Liabilities of Disposal Group classified as held for sale	*18*	**—**	112,186
Total current liabilities		**690,317**	195,342
Net current (liabilities)/assets		**(285,706)**	1,856,464
Non-current liabilities			
Deferred tax liabilities		**9,633**	28,714
Deferred government grant		**883**	1,083
Total non-current liabilities		**10,516**	29,797
NET ASSETS		**4,494,137**	2,943,514
EQUITY			
Equity attributable to owners of the Company			
Share capital	*17*	**965**	964
Share premium		**1,492,937**	1,492,318
Retained earnings		**2,528,779**	864,668
Reserves		**471,602**	401,903
		4,494,283	2,759,853
Non-controlling interests		**(146)**	183,661
TOTAL EQUITY		**4,494,137**	2,943,514

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company							
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Treasury shares** *RMB'000*	**Other reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2017	979	1,528,311	(8,890)	71,354	742,584	2,334,338	(336)	2,334,002
Comprehensive income								
Profit/(loss) for the year	—	—	—	—	122,084	122,084	29,258	151,342
Other comprehensive income								
Currency translation differences	—	—	—	(42)	—	(42)	—	(42)
Total comprehensive income/(loss) for the year	—	—	—	(42)	122,084	122,042	29,258	151,300
Exercise of employee share option	—	3,369	—	(2,012)	—	1,357	—	1,357
Buy-back and cancellation of shares	(15)	(39,362)	8,890	—	—	(30,487)	—	(30,487)
Changes in ownership interest in subsidiaries without change of control	—	—	—	332,603	—	332,603	167,397	500,000
Dividends paid to non-controlling interests in subsidiaries	—	—	—	—	—	—	(12,658)	(12,658)
At 31 December 2017 as originally stated	964	1,492,318	—	401,903	864,668	2,759,853	183,661	2,943,514
Initial application of HKFRS 9	—	—	—	—	(1,503)	(1,503)	—	(1,503)
Restated balance as at 1 January 2018	**964**	**1,492,318**	**—**	**401,903**	**863,165**	**2,758,350**	**183,661**	**2,942,011**
Comprehensive income								
Profit for the year	**—**	**—**	**—**	**—**	**1,665,614**	**1,665,614**	**699**	**1,666,313**
Other comprehensive income								
Currency translation differences	**—**	**—**	**—**	**(2,890)**	**—**	**(2,890)**	**—**	**(2,890)**
Share of other comprehensive income of an associate	**—**	**—**	**—**	**80,741**	**—**	**80,741**	**—**	**80,741**
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	**—**	**—**	**—**	**(8,342)**	**—**	**(8,342)**	**—**	**(8,342)**
Exchange differences reclassified to profit or loss upon deemed disposal	**—**	**—**	**—**	**(2,150)**	**—**	**(2,150)**	**—**	**(2,150)**
Gain on revaluation of investment properties	**—**	**—**	**—**	**3,435**	**—**	**3,435**	**—**	**3,435**
Deferred tax liability on recognition of revaluation of properties	**—**	**—**	**—**	**(859)**	**—**	**(859)**	**—**	**(859)**
Total comprehensive income for the year	**—**	**—**	**—**	**69,935**	**1,665,614**	**1,735,549**	**699**	**1,736,248**
Exercise of employee share option	**1**	**619**	**—**	**(236)**	**—**	**384**	**—**	**384**
Disposal of subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**(184,506)**	**(184,506)**
At 31 December 2018	**965**	**1,492,937**	**—**	**471,602**	**2,528,779**	**4,494,283**	**(146)**	**4,494,137**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
Profit before income tax including discontinued operations		**1,677,377**	219,880
Adjustments for:			
Depreciation of property, plant and equipment		**16,824**	18,563
Amortisation of intangible assets		**3,390**	25,947
Amortisation of land use rights		**1,045**	1,394
Loss on disposal of property, plant and equipment			
— Continuing operations		**58**	22
— Discontinued operations		**—**	45
Gain on disposal of subsidiaries, net of tax		**(1,550,802)**	—
Share of results from associated companies	*12*	**(100,762)**	—
Loss on deemed disposal of an associate	*12*	**3,882**	—
Realised gain on available-for-sale financial assets		**—**	(17,771)
Loss on financial guarantee	*5*	**26,186**	—
Interest expense	*7*	**8,609**	—
Interest income	*7*	**(1,399)**	(1,774)
Unrealised exchange gain		**1,846**	1,763
(Reversal of)/provision for impairment of receivables		**(14,079)**	20,995
Provision for write-down of inventories		**—**	126
Operating cash flows before movements in working capital		**72,175**	269,190
Decrease/(increase) in inventories		**5,001**	(9,539)
Decrease/(increase) in trade and other receivables		**16,471**	(2,634)
Decrease in deferred government grant		**(200)**	(200)
Increase/(decrease) in trade and other payables		**13,838**	(16,737)
Cash generated from operations		**107,285**	240,080
Income taxes paid		**(9,580)**	(56,303)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**97,705**	183,777

	Notes	**2018** *RMB'000*	2017 *RMB'000*
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(4,249)**	(10,037)
Purchases of intangible assets		**(16)**	—
Payments for development costs of construction in progress		**(119,456)**	(250,050)
Purchases of available-for-sale financial assets		**—**	(1,181,750)
Proceeds from disposal of available-for-sale financial assets		**—**	1,199,521
Purchases of financial assets at fair value through profit or loss		**(5,900)**	—
Proceeds from disposal of subsidiaries		**9,043**	454,367
Increase in interest in associated company	*12*	**(551,778)**	—
Income tax paid for disposal of subsidiaries		**(247,501)**	—
Proceeds from disposal of property, plant and equipment		**754**	18
Interest received		**1,399**	1,774
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(917,704)**	213,843
FINANCING ACTIVITIES			
Buy-back of shares		**—**	(30,487)
Proceeds from capital injection by non-controlling interests		**—**	500,000
Proceeds from exercise of employee share options		**324**	390
Proceeds from bank borrowing	*16*	**567,724**	—
Interest paid		**(8,609)**	—
Dividends paid to non-controlling interest in subsidiaries		**—**	(12,658)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**559,439**	457,245
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(260,560)**	854,865
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(4,735)**	(1,763)
Transfer to Disposal Group classified as held for sale		**—**	(638,406)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**364,259**	149,563
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash		**98,964**	364,259

NOTES TO FINANCIAL INFORMATION

For the year ended 31 December 2018

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 Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is the Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 November 2013.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the development, manufacturing and sale of (i) advanced infusion set products (the "Infusion Set Business"); (ii) regenerative medical biomaterial products (the "Regenerative Medical Biomaterial Business") in the People's Republic of China (the "PRC" or China). On 1 January 2018, the Regenerative Medical Biomaterial Business was disposed of and was presented as discontinued operations in the consolidated financial statements for the year ended 31 December 2017 (Note 18).

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective on 1 January 2018

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

A. *HKFRS 9 — Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(a)(A)(i) and (ii) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated with the exception of certain aspects of hedge accounting.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	RMB'000
Retained earnings as at 31 December 2017	864,668
Increase in provision for trade receivables	(1,768)
Recognition of deferred taxation	265
Restated retained earnings as at 1 January 2018	863,165

(i) *Classification and measurement of financial instruments*

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

— It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

— The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

— It is held within a business model whose objective is to achieved by both collecting contractual cash flow and selling financial assets; and

— The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Balance as at 1 January 2018 under HKAS 39**	**Balance as at 1 January 2018 under HKFRS 9**
			RMB'000	*RMB'000*
Amount due from an associate	Loans and receivables	Amortised cost	27,722	27,722
Trade and other receivables	Loans and receivables	Amortised cost	204,029	202,261
Cash and cash equivalent	Loans and receivables	Amortised cost	364,259	364,259

The measurement categories for all financial liabilities remain the same for the Group, the carrying amounts for all liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or re-designate any financial asset or financial liability at FVTPL at 1 January 2018.

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECLs for trade receivables, financial assets at amortised cost, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rate where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECLs model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the trade receivables and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets at amortised cost, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices except amount of trade receivables per below:

Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade receivables as follows:

1 January 2018	**Group A**	**Group B**	**Group C**	**Group D**	**Total**
Expected credit loss rate (%)	0.17%	1.54%	2.83%	17.23%	
Gross carrying amount (RMB'000)	6,430	26,898	53,825	125,865	213,018
Loss allowance (RMB'000)	10	414	1,522	21,683	23,629

Under HKAS 39, the Group had made a provision for impairment loss of trade receivables amounting to RMB21,861,000 as at 31 December 2017.

The further provision of impairment allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were RMB1,768,000. The reversal of impairment allowances for trade receivables is amounting to RMB14,079,000 during the year ended 31 December 2018.

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in an additional impairment allowance for trade receivables as follows:

	RMB'000
Impairment loss as at 1 January 2018 under HKAS 39	21,861
Additional impairment recognised	1,768
Loss allowance as at 1 January 2018 under HKFRS 9	23,629

Impairment of other receivables

Other receivables represent receivables from disposal of Orthopedia Implant Business. It is considered to be low risk as the borrower is considered, in the short term, to have a strong capacity to meet its obligations, and therefore the impairment provision is determined as 12 months expected credit losses. The restatement of the loss allowance for debt investments and on transition to HKFRS 9 as a result of applying the expected credit risk model was immaterial.

(iii) *Hedge accounting*

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) *Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

— The determination of the business model within which a financial asset is held;

— The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

— The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. *HKFRS 15: Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the consolidated financial information presented for 2017 has not been restated.

The Group has applied the following accounting policy for revenue recognition in the preparation of these consolidated financial statements:

The Group recognises revenue from contracts with customers based on a five-step model as set out in HKFRS 15:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

The Group has reviewed the impact of HKFRS 15 and considered that HKFRS 15 does not have a material impact on the timing and amounts of revenue recognized for contracts with customers.

Details of the new significant accounting and the nature of the changes to previous accounting policy in relation to the Group's various goods are set out below:

Revenue for sales of advanced infusion set products

Revenue arising from the sales of advanced infusion set products in the ordinary course of business. Invoices are issued when the customer takes possession of and accepts the products and are usually payable within 180 days from the date of billing. No significant financial component existed. The transaction price is determined based on a stand-alone selling price specified in the contracts for advanced infusion set products.

Under HKAS 18, revenue from sale of advanced infusion set products is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually at the date when a Group entity has delivered products to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Under HKFRS15, revenue is recognised when the customer takes possession of and accepts the products. Therefore, the initial adoption of HKFRS15 did not result in significant impact on the Group's accounting policies on revenue for sale of equipment.

(b) Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Except as described above, the Directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements in the future.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Provision for taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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 a 10% PRC withholding tax ("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.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates.

According to the valuations results produced by the management of the Company based on the assumptions, management considered that no impairment charge was required against goodwill arising from acquisitions during the year.

In the opinion of the Company's directors, regarding Infusion Set Business had the gross profit margin been 2% lower with other assumptions held constant, or had the terminal growth rate been 2% lower with other assumptions held constant, or had the discount rate been 1% higher with other assumptions held constant, no impairment charge would be required against goodwill of the Group for the year.

(c) Useful lives of property, plant and equipment

The Group determines the estimated useful lives for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Fair value of measurement

The Group's investment properties are measured at fair value.

The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures investment properties at fair value.

A more detailed information in relation to the fair value measurement of these assets is disclosed in Note 11.

4. SEGMENT REPORTING

(a) Business segments

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

For the year ended 31 December 2018, following the disposal of subsidiaries on 1 January 2018 (Note 18), the Group has only one reportable operating segment which is Infusion Set Business. Thus, no operating segments have been aggregated to form the above reportable operating segment.

Continuing operations:

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

Discontinued operations:

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

— Others — operations of other businesses.

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

Segment information for the year ended 31 December 2017 about these reportable segments is presented below:

	Continuing operations	Discontinued operations			
	Infusion Set Business *RMB'000*	Regenerative Medical Biomaterial Business *RMB'000*	Others *RMB'000*	Sub-total *RMB'000*	Total *RMB'000*
Revenue from external customers	286,913	280,979	5,546	286,525	573,438
Cost of sales	(112,386)	(44,450)	(4,641)	(49,091)	(161,477)
Gross profit	174,527	236,529	905	237,434	411,961
Selling expenses	(54,785)	(41,338)	(5,412)	(46,750)	(101,535)
Administrative expenses	(70,560)	(21,542)	(308)	(21,850)	(92,410)
Research and development expenses	(13,114)	(8,797)	(2,516)	(11,313)	(24,427)
Other gains — net	8,611	17,296	—	17,296	25,907
Segment profit	44,679	182,148	(7,331)	174,817	219,496
Finance income — net					384
Profit before income tax					219,880

	Continuing operations	Discontinued operations			
Year ended 31 December 2017	Infusion Set Business *RMB'000*	Regenerative Medical Biomaterial Business *RMB'000*	Others *RMB'000*	Sub-total *RMB'000*	Total *RMB'000*
Segment assets	1,794,312	1,337,055	29,553	1,366,608	3,160,920
Deferred income tax assets					7,733
Total assets					3,168,653
Segment liabilities	84,239	67,279	4,739	72,018	156,257
Deferred income tax liabilities					68,882
Total liabilities					225,139

	Continuing operations	Discontinued operations			
Year ended 31 December 2017	Infusion Set Business *RMB'000*	Regenerative Medical Biomaterial Business *RMB'000*	Others *RMB'000*	Sub-total *RMB'000*	Total *RMB'000*
Other information					
Amortisation of land use rights	1,054	332	8	340	1,394
Depreciation of property, plant and equipment	16,050	2,464	49	2,513	18,563
Amortisation of intangible assets	3,672	22,275	—	22,275	25,947

(b) Disaggregation of revenue

In the following table, revenue is disaggregated by customer segments and timing of revenue recognition.

	2018	2017
	RMB'000	*RMB'000*
Customer segments		
Revenue from hospitals	**58,736**	42,640
Revenue from medical products distributors	**252,077**	244,273
	310,813	286,913
Timing of revenue recognition		
Recognised at a point of time	**310,813**	286,913

As the primary geographical market solely represents the PRC, no disaggregation of revenue by primary geographical market is disclosed.

(c) Concentration of customers

Revenues of approximately RMB22,547,000 (2017: RMB28,956,000) are derived from a single external customer. These revenues are attributable to the Infusion Set Business segment.

5. OTHER (LOSSES)/GAINS

	2018	2017
	RMB'000	*RMB'000*
Government grants	**9,533**	8,512
Loss on disposal of property, plant and equipment	**(58)**	—
Loss on financial guarantee *(Note (a))*	**(26,186)**	—
Loss on deemed disposal of an associate	**(3,882)**	(22)
Others	**861**	121
Other net (losses)/gains	**(19,732)**	8,611

(a) The loss from financial guarantee mainly related to a joint guarantee liability of the Group's subsidiary, Xuzhou Yijia Medical Device Co., Ltd ("Xuzhou Yijia"). In 2016, a PRC intermediate people's court issued a civil judgement ("First Instance Judgement"), pursuant to which Xuzhou Yijia shall undertake joint guarantee liability with another independent guarantor (the "Joint Guarantor") for a loan granted by a bank (the "Borrowing Bank" or the "Plaintiff") to the original independent borrower (the "Borrower") with principal (RMB10 million) and interest thereon totalling approximately RMB15 million, as the loan has been default in repayment. The directors of the Company and its appointed attorney agent analysed the case and considered that the Borrower is suspected of loan fraud and the Borrowing Bank may have grave fault in granting the loan to the Borrower. Accordingly, in August 2016, Xuzhou Yijia instituted an appeal to a PRC superior people's court on rejecting the First Instance Judgement.

On 10 July 2017, the litigation of second instance commenced and the Plaintiff submitted new evidence to support its ground to grant loan to the Borrower. On 24 November 2017, the litigation of second instance (the "Second Instance Judgement") completed, the Borrower shall undertake the principal and interest of the above loan, and Joint Guarantor shall undertake joint guarantee liability for it. Retrial application was proposed by the Group.

On 11 July 2018, the Group received a judgement from the Supreme People's Court of the PRC which rejected the Group's retrial application and affirmed the Second Instance Judgement. In the view of unfavourable judgement and significant amount of accumulated interest incurred for the above loan (24% of interest rate per annum), after assessing the risk relating to the joint guarantee liability, the directors of the Company accrued a loss provision which included the principal and accumulated interest of the above loan as of 31 December 2018. At the date of approval of the consolidated financial statements, the Group is considering to make claims against the Joint Guarantor and the former owners of Xuzhou Yijia to claim such loss.

6. PROFIT BEFORE TAXATION

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**3,410**	3,547
Staff costs (excluding directors' emoluments):		
Wages, salaries and bonuses	**74,394**	67,844
Staff welfare	**4,879**	8,553
Social security costs	**7,525**	8,207
Housing fund	**1,189**	2,686
Total staff costs	**87,987**	87,290
Auditor's remuneration:		
— Audit services	**1,200**	2,280
— Non-audit services	**253**	200
Depreciation of property, plant and equipment	**16,824**	16,050
Amortisation of intangible assets	**3,390**	3,672
Amortisation of land use rights	**1,045**	1,054
Raw materials and consumable used	**48,085**	42,047
(Reversal of)/provision for impairment of receivables	**(14,079)**	20,995

7. FINANCE (COST)/INCOME — NET

	2018	2017
	RMB'000	*RMB'000*
Finance income		
Net foreign exchange gain	**(1,341)**	—
Interest income on short-term bank deposits	**(1,399)**	(1,774)
	(2,740)	(1,774)
Finance costs		
Interest on bank loan	**8,609**	—
Net foreign exchange loss	**—**	1,372
	8,609	1,372
Finance (cost)/income — net	**5,869**	(402)

8. TAXATION

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

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC Income Tax for the year	**8,615**	14,409
Deferred income tax	**2,449**	(3,105)
Income tax expense	**11,064**	11,304

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% (2017: 16.5%).

(c) 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% (2017: 25%).

Two subsidiaries (2017: three 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 year (2017: 15%). They will continue to enjoy the preferential tax rate in the subsequent periods, provided that they continue to be qualified as "High and New Technology Enterprises" during such periods.

(d) Withholding tax ("WHT")

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

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

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:

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**126,575**	45,081
Tax calculated at statutory tax rates applicable to profits in the respective countries	**31,644**	11,270
Tax effect of:		
Effect of different tax rate in foreign jurisdictions	**—**	—
Preferential income tax rates applicable to subsidiaries	**(8,071)**	(5,343)
Additional deductible allowance for research and development expenses *(note (i))*	**(1,995)**	(968)
Deemed income for tax purpose	**—**	87
Tax effect of expenses not deductible for tax purpose	**7,188**	1,136
Tax effect of taxable temporary differences	**445**	—
Tax effect of share of profits from an associate	**(25,191)**	—
Tax effect of estimated tax losses not recognised	**7,027**	4,590
Adjustment in respect of prior years	**17**	532
Income tax expense for the year	**11,064**	11,304

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

9. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

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 year ended 31 December 2018.

	2018	2017
	RMB'000	*RMB'000*
Profit attributable to owners of the Company:		
Continuing operations	**114,812**	33,119
Discontinued operations	**1,550,802**	88,965
	1,665,614	122,084
Weighted average number of ordinary shares in issue (thousands)	**1,568,771**	1,576,456
Basic earnings per share:		
Continuing operations (RMB cents per share)	**7.32**	2.10
Discontinued operations (RMB cents per share)	**98.85**	5.64
	106.17	7.74

(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).

	2018	2017
	RMB'000	*RMB'000*
Profit attributable to owners of the Company:		
Continuing operations	**114,812**	33,119
Discontinued operations	**1,550,802**	88,965
	1,665,614	122,084
Weighted average number of ordinary shares in issue (thousands)	**1,568,771**	1,576,456
Adjustments for:		
— Share options (thousands)	**61**	871
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,568,832**	1,577,327
Diluted earnings per share:		
Continuing operations (RMB cents per share)	**7.32**	2.10
Discontinued operations (RMB cents per share)	**98.85**	5.64
	106.17	7.74

11. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2017	—
Additions — transferred from property, plant and equipment and land use right	278,143
At 31 December 2018	278,143

On 31 December 2018, the Group transferred certain of its property interest held under operating leases with carrying value of approximately RMB262,243,000 from property, plant and equipment, and RMB12,465,000 from land use rights to investment properties. The property interest with the land use right were revaluated to RMB278,143,000 as initial cost while the resulting revaluation surplus of approximately RMB3,435,000 at the date of transfer was credited to the revaluation reserves in equity.

The fair value of the Group's investment properties at 31 December 2018 have been arrived at on market value basis carried out by Beijing Guorongxinghua Assets Appraisal Co., Ltd., an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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:

	2018
Growth rate of revenue	**4.0%**
Discount rate	**7.3%**

The fair value of the investment property at 31 December 2018 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 year.

12. INTEREST IN AN ASSOCIATE

As at 31 December 2018, the Group held 16.06% equity interest in CBPO. CBPO is a limited liability company incorporated in the Cayman Islands. Its shares are listed on Nasdaq Stock Market. CBPO and its subsidiaries are principally engaged in the research, development, manufacturing and sales of human plasma-based biopharmaceutical products.

Although the Group's equity interest in CBPO is less than 20%, the directors of the Company consider that they have power to exercise significant influence on CBPO as one executive director of the Company is one of the seven directors of CBPO. Under HKAS 28, the investment in CBPO is classified as interest in an associate and has been accounted for in the consolidated financial statements using equity method.

During the year ended 31 December 2018, the equity interest held by the Group in CBPO was diluted from 16.66% to 16.06% due to exercise of share options by grantee and issuance of share capital by CBPO. The dilution of interest resulted in a deemed disposal of interest in an associate and a loss of RMB3,882,000 is recognised in "Other (losses)/ gains-Net" in the Consolidated Statement of Comprehensive Income.

	2018	2017
	RMB'000	*RMB'000*
Share of net assets	**2,256,147**	—
Goodwill	**1,312,759**	—
	3,568,906	—

Particulars of the Group's interest in an associate is as follows:

Name of company	**Form of business structure**	**Place of incorporation and operations**	**Percentage of ownership interest/voting rights/profit share**	**Principal activity**
China Biologic Products Holdings, Inc.	Corporation	PRC	16.06%	Research, development, manufacturing and sales of human plasma-based biopharmaceutical products

Summarised financial information of the associate, adjusted for any difference in accounting policies:

	2018
	RMB'000
As at 31 December	
Current assets	**9,306,410**
Non-current assets	**6,820,261**
Current liabilities	**(846,061)**
Non-current liabilities	**(291,197)**
Net assets	**14,989,413**
Net assets attributable to owners of the equity	**14,188,709**
Group's share of the net assets of the associate	**2,256,147**
Year ended 31 December	
Revenues	**3,089,525**
Profit or loss for the year	**745,830**
Other comprehensive income	**(420,908)**
Total comprehensive income	**324,922**

	2018
	RMB'000
Profit or loss for the year attributable to owners of the equity	**613,080**
Other comprehensive income attributable to owners of the equity	**(375,609)**
Total comprehensive income attributable to owners of the equity	**237,471**
Dividends received from associate	**—**

13. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**15,750**	24,271
Work in progress	**10,197**	8,273
Finished goods	**14,418**	13,263
	40,365	45,807

14. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables *(i)*	**203,802**	191,157
Bills receivable *(ii)*	**1,650**	2,200
Accrued income	**—**	—
Prepayments and deposits	**8,679**	53,778
Receivables from disposal of Orthopedic Implant Business	**1,966**	4,466
Value added tax recoverable	**16,750**	15,723
Other receivables	**2,215**	6,206
Trade receivables — non-current	**—**	(30,200)
Trade and other receivables — current portion	**235,062**	243,330

(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.

	2018	2017
	RMB'000	*RMB'000*
Up to 3 months	**42,282**	49,356
3 months to 6 months	**28,733**	32,574
6 months to 12 months	**27,187**	43,040
1 year to 2 years	**89,462**	57,494
2 years to 3 years	**16,138**	8,693
	203,802	191,157

The Group and the Company recognised impairment loss based on the accounting policy.

Trade and bills receivables are due within 180 days from the date of billing. The Group does not hold any collateral as security. Further details on the group's credit policy and credit risk arising from trade receivables and bills receivable are set out in annual report.

Non-current portion of the trade receivables

During the year ended 31 December 2018, the Group has entered into repayment agreements (the "Agreements") individually with three major customers (the "Customers") who owed total amount of approximately RMB125,865,000 to the Group. Pursuant to the Agreements, approximately RMB55,865,000 (the "Overdue Debts") are identified as amount that exceeding the line of credit being granted to the Customers. The Overdue Debts will be settled in cash by monthly instalment of RMB2,800,000 for a period within two years commencing from March 2018.

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

15. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**15,475**	15,782
Salary and staff welfare payables	**21,116**	21,299
Advances from customers	**11,370**	4,283
Deposits	**1,515**	823
Payables for purchase of land use rights	**4,277**	4,277
Value added tax and other taxes	**2,903**	1,008
Professional service fee	**4,036**	1,968
Loss from financial guarantee *(Note 5(a))*	**26,186**	—
Other payables	**7,763**	5,386
	94,641	54,826

As at 31 December 2018 and 2017, except for the salary and staff welfare payables, advances from customers and value added tax and other taxes which are not financial liabilities, all trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

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

	2018	2017
	RMB'000	*RMB'000*
Up to 6 months	**12,981**	14,114
6 months to 12 months	**1,383**	536
Over 1 year	**442**	854
2 years to 3 years	**621**	259
Over 3 years	**48**	19
	15,475	15,782

16. BANK BORROWING

	2018	2017
	RMB'000	*RMB'000*
Current		
Repayable within one year	**567,724**	—
	567,724	—

On 20 September, 2018, the Company, as borrower, entered into a loan agreement with Morgan Stanley Bank, N.A. (the "Lender") (the "Loan Agreement"), pursuant to which the Lender agreed to make a loan to the Company in an amount of up to US$82,720,000 (equivalent to RMB567,724,000) (the "Loan") for a term of one year. The Loan is extendable for one year upon the mutual agreement between the Company and the Lender. Pursuant to the Loan Agreement, it will be a mandatory prepayment event if Mrs. Liu Yufeng as the controlling shareholder of the Company, together with any relative of Mrs. Liu Yufeng or any entity through which Mrs. Liu Yufeng holds the shares of the Company, ceases to beneficially own, directly or indirectly through any entity, more than 30% of the voting power in respect of all such interests or equity entitled to vote generally in elections with respect to the management of the Company. As at the date of this announcement, Mrs. Liu Yufeng, directly or indirectly, owns approximately 36.65% of the issued share capital of the Company and is the controlling shareholder of the Company.

The loan is repayable on 20 September 2019 and the interest is charged at LIBOR plus 2.5%. per annum. The loan is secured by 3,162,854 shares of CBPO.

17. SHARE CAPITAL

	Number of ordinary shares	**Share capital**
		RMB'000
Issued and fully paid:		
Balance at 1 January 2017	1,590,317,404	979
Proceeds from employee share option exercised *(a)*	2,149,682	—
Buy-back and cancellation of shares *(b)*	(23,835,000)	(15)
Balance at 31 December 2017	1,568,632,086	964
Proceeds from employee share option exercised *(a)*	614,012	1
Balance at 31 December 2018	1,569,246,098	965

Note:

(a) Options exercised during the year ended 31 December 2018 resulted in 614,012 shares (2017: 2,149,682) being issued, total proceeds amounted to HK$438,000 (equivalent to RMB384,000) (2017: HK$1,572,000 (equivalent to RMB1,357,000)) of which HK$370,000 (equivalent to RMB324,000) (2017: HK$442,000 (equivalent to RMB390,000)) have been received during the year. The related weighted average price of the Company's share at the time of exercise was HK$1.46 per share (2017: HK$1.72 per share).

(b) The Company acquired 18,956,000 of its own shares through purchases on the Stock Exchange in 2017 and cancelled all the treasury shares. The total amount paid to acquire the shares was RMB30,487,000.

18. DISPOSAL OF SUBSIDIARIES

(a) On 12 October 2017, the Company and CBPO (detail information is set out in Note 12) entered into a share exchange agreement (the "Share Exchange Agreement"). Pursuant to the Share Exchange Agreement, the Company agreed to subscribe for a total of 5,521,000 new shares of CBPO (representing approximately 16.66% of the enlarged issued share capital of CBPO) in consideration of disposal of the entire issued share capital of Health Forward Holdings Limited (the "Disposal"), which in turn owns 80% equity interest in Tianxinfu (Beijing) Medical Appliance Co., Ltd and 60% equity interest in Beijing Lima-TXF Medical Equipment Co., Ltd (the "Disposal Group"). The Disposal Group is principally engaged in the Regenerative Medical Biomaterial Business.

Accordingly, the assets and liabilities related to the Disposal Group have been presented as Disposal Group classified as held for sale. The assets and liabilities of the Disposal Group were measured at its carrying amount, which was lower than the fair value less costs to sell as at 31 December 2017.

The assets and liabilities of the Disposal Group held for sale as at 31 December 2017 are set out below:

	RMB'000
Assets classified as held for sale	
Land use rights	12,425
Property, plant and equipment	38,630
Intangible assets	254,394
Goodwill	373,229
Deferred income tax assets	2,321
Inventories	17,351
Amounts due from the remaining group	28,330
Trade and other receivables	3,843
Cash and cash equivalents	638,406
Total assets of Disposal Group classified as held for sale	1,368,929
Liabilities directly associated with assets classified as held for sale	
Deferred income tax liabilities	(40,168)
Amounts due to the remaining group	(27,722)
Trade and other payables	(38,744)
Current income tax liabilities	(5,552)
Total liabilities of Disposal Group classified as held for sale	(112,186)

On 1 January 2018, the Disposal was completed. Consideration of the Disposal was determined by the market closing price of CBPO on Nasdaq Stock Market prior to the acquisition date, which was USD78.8 per share (equivalent to RMB514.7 per share). The gain arising from the Disposal shown in the consolidated statement of other comprehensive income is calculated as follows:

	RMB'000
Consideration	2,841,658
Carrying amount of net assets of the Disposal Group	(1,256,743)
Release of foreign exchange reserves attributable to the Disposal Group	8,342
Non-controlling interest of the Disposal Group	184,506
Gain on disposal of subsidiaries	1,777,763
Withholding tax	(228,276)
Gain on disposal of subsidiaries, net of tax	1,549,487

(b) On 12 November 2018, the Company and a third party vendor entered into a share transfer agreement (the "Share Transfer Agreement"). Pursuant to the Share Transfer Agreement, the Company agreed to disposal of the entire issued share capital of Beijing Jishang Biotechnology Co,. Ltd ("Beijing Jishang") for a consideration of RMB10,000,000.

The assets and liabilities of the Beijing Jishang at the date of disposal are set out below:

	RMB'000
Assets classified as held for sale	
Financial assets at fair value through profit or loss	5,900
Trade and other receivables	1,966
Inventories	441
Amounts due from the remaining group	8
Cash and cash equivalents	957
Trade and other payables	(491)
Amounts due to the remaining group	(96)
Net assets disposed of	8,685

The gain arising from the disposal shown in the consolidated statement of comprehensive income is calculated as follows:

	2018 ***RMB'000***
Consideration	**10,000**
Carrying amount of net assets disposed of	**(8,685)**
Gain on disposal of subsidiary	**1,315**

19. DISCONTINUED OPERATIONS

Analysis of the result of the discontinued operations for the year ended 31 December 2017 is as follows:

	2017
	RMB'000
Revenue	286,525
Cost of sales	(49,091)
Gross profit	237,434
Selling expenses	(46,750)
Administrative expenses	(21,850)
Research and development expenses	(11,313)
Other gains, net	17,296
Operating profit	174,817
Finance income — net	(18)
Profit before income tax	174,799
Income tax expenses	(57,234)
Profit for the period from discontinued operations	117,565
Profit for the period from discontinued operations attributable to:	
Owners of the Company	88,965
Non-controlling interests	28,600
Profit for the period from discontinued operations	117,565

Analysis of cash flow of the discontinued operations for the year ended 31 December 2017 is as follows:

	2017
	RMB'000
Operating cash flows	166,304
Investing cash flows	(2,173)
Financing cash flows	388,324
Total cash flows	552,455

20. COMMITMENTS

(a) Operating lease commitments — the Group as lessee

	2018	2017
	RMB'000	*RMB'000*
Minimum lease payments paid during the year under operating leases	**1,614**	2,162

At 31 December 2018, the Group had outstanding minimum commitments under non-cancellable operating leases which fall due as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**448**	1,127
In the second to fifth years inclusive	**129**	81
	577	1,208

Operating lease payments represent rentals payable by the Group for its office premises and manufacturing sites. The leases were negotiated for a term of one to five years at fixed rentals.

(b) Capital commitments

	2018	2017
	RMB'000	*RMB'000*
Commitments for the acquisition of:		
Property, plant and equipment	**8,111**	15,862

FINANCIAL REVIEW

Overview

	Year ended December 31, **2018** *RMB'000*	2017 *RMB'000*	**Change**
Continuing operations			
Revenue	**310,813**	286,913	8.3%
Gross profit	**195,243**	174,527	11.9%
Profit for the year from continuing operations	**115,511**	33,777	242.0%
Discontinued operations			
Profit for the year from discontinued operations — Regenerative Medical Biomaterial Business	**—**	117,565	Not applicable
Gain on disposal of subsidiaries, net of tax	**1,550,802**	—	Not applicable
Profit for the year	**1,666,313**	151,342	1,001.0%
Profit attributable to owners of the Company	**1,665,614**	122,084	1,264.3%

Revenue from Continuing Operations

The revenue of the Group from continuing operations increased by 8.3% from approximately RMB286.9 million in 2017 to approximately RMB310.8 million in 2018, as a result of the increase in sales of the Infusion Set Business in the continuing operations. The sales increase in the Infusion Set Business was mainly due to: (i) an increase in sales of disposable intravenous cannula, which amounted to RMB10.6 million; and (ii) an increase in sale volume of infusion sets.

Gross Profit from Continuing Operations

The Group's gross profit from continuing operations increased by 11.9% from approximately RMB174.5 million in 2017 to approximately RMB195.2 million in 2018. The gross profit margin of continuing operations increased from 60.8% in 2017 to 62.8% in 2018, which was mainly due to the product mix changes with higher proportion of the sales of high margin products.

Selling and Marketing Expenses of Continuing Operations

Selling and marketing expenses of continuing operations increased by 33.1% from approximately RMB54.8 million in 2017 to approximately RMB72.9 million in 2018. This increase was mainly attributable to the expansion of distribution networks and production promotion.

General and Administrative Expenses of Continuing Operations

General and administrative expenses of continuing operations decreased by 37.6% from approximately RMB70.6 million in 2017 to approximately RMB44.0 million in 2018. The decrease was the result of: (i) a decrease caused by the reversal of impairment allowances for trade receivables amounted to RMB34.2 million of bad debt expense (2018: RMB–14.1 million, 2017: RMB20.1 million) to the consolidated financial statements for the year ended December 31, 2018; (ii) an increase caused by the legal and other services fee incurred for the bank borrowing and the investment in an associate amounted to approximately RMB6.8 million.

R&D Expenses of Continuing Operations

R&D expenses of continuing operations increased by 105.2% from approximately RMB13.1 million in 2017 to approximately RMB26.9 million in 2018, mainly because the Group conducted more R&D activities.

Finance Cost/Income — Net, of Continuing Operations

The Group had a net finance cost of continuing operations of RMB5.9 million for the year ended December 31, 2018, decreased by approximately RMB6.3 million from a net finance income of RMB0.4 million in 2017. During the year ended December 31, 2018, the Group had incurred interest expense and structuring fee for the bank borrowing amounted to RMB8.6 million (2017: nil), which caused a decrease in finance income; and the decrease was partly offset by the foreign exchange gain of RMB1.3 million in 2018 (2017: foreign exchange loss of RMB1.4 million).

Share of Result of an Associate

As disclosed in Note 12 to the consolidated financial statements for the year ended December 31, 2018, the investment in CBPO is classified as interest in an associate and has been accounted for in the consolidated financial statements using equity method, and share of result of CBPO during the year ended December 31, 2018 amounted to RMB100.8 million, after deducting amortization of intangible assets arising from the acquisition of RMB42.8 million during the year ended December 31, 2018.

Other Losses/Gains — Net, of Continuing Operations

Other losses — net, of continuing operations in 2018 amounted to approximately RMB19.7 million, as compared to other gains — net, of continuing operations of approximately RMB8.6 million in 2017, mainly because of: (i) a loss on deemed disposal amounted to RMB3.9 million caused by the dilution of equity interest in CBPO held by the Group from 16.66% to 16.06% due to the exercise of share options by grantees and the issuance of share capital by CBPO; and (ii) loss on financial guarantee of of RMB26.2 million as disclosed in Note 5 to the consolidated financial statements for the year ended December 31, 2018.

Income Tax Expenses of Continuing Operations

For the year ended December 31, 2018, income tax expenses of continuing operations amounted to approximately RMB11.1 million, decreased by approximately RMB0.2 million as compared with approximately RMB11.3 million in 2017.

Profit from Discontinued Operations

A breakdown of the performance result of discontinued operations can be found in Note 19 to the consolidated financial statements for the year ended December 31, 2018.

Gain on Disposal of Subsidiaries, Net of Tax

As disclosed in Note 18 to the consolidated financial statements for the year ended December 31, 2018, the Company and CBPO entered into the share exchange agreement on October 12, 2017, pursuant to which the Company agreed to subscribe for a total of 5,521,000 new shares of CBPO in consideration of disposal of the entire issued share capital of Health Forward Holdings Limited, which in turn owns 80% equity interest in Tianxinfu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有公司). Upon the closing of such transaction on January 1, 2018, the Company became the single largest shareholder of CBPO. The gain arising from the disposal amounted to approximately RMB1,549.5 million.

Net Profit from Continuing Operations

For the foregoing reasons, the profit from continuing operations of the Group in 2018 increased from approximately RMB33.8 million in 2017 to RMB115.5 million.

After taking into account the gain on disposal of subsidiaries, net of tax in 2018, the Group's consolidated net profit for the year ended December 31, 2018 amounted to approximately RMB1,666.3 million, representing an increase of RMB1,515 million as compared to the consolidated net profit for the year ended December 31, 2017.

Trade and Other Receivables

The Group's trade receivables primarily comprised the outstanding payment from credit sales. As of December 31, 2018, the trade receivables of the Group was approximately RMB203.8 million, representing an increase of approximately RMB12.6 million as compared to approximately RMB191.2 million as of December 31, 2017, which was mainly due to the reversal of impairment allowance of trade receivables amounted to RMB14.1 million.

Inventories

Inventories decreased by approximately 11.9%, from approximately RMB45.8 million as of December 31, 2017 to approximately RMB40.4 million as of December 31, 2018. The decrease of inventories was mainly due to the decrease in raw materials as a result of the more effective purchase and utilization management of raw materials.

Property, Plant and Equipment

Property, plant and equipment mainly included buildings and facilities, machinery and equipment and construction in progress. As of December 31, 2018, the property, plant and equipment of the Group amounted to approximately RMB709.3 million, representing a decrease of approximately RMB128.5 million as compared to approximately RMB837.8 million as of December 31, 2017. The decrease was the net result of that: (i) the construction of facilities to expand production capacities of continuing operations amounted to approximately RMB151.4 million and (ii) the transfer to investment properties amounted to RMB262.2 million.

Intangible Assets

The Group's intangible assets mainly include goodwill, technology know-how, trademarks, computer software and customer relationship. The Group's goodwill, technology know-how and trademarks are mainly identified and recorded during the purchase accounting process for the acquisitions of subsidiaries in prior years. The goodwill is subject to impairment test at each period end, while the technology know-how and trademarks are amortised with straight line method for 15 years. As of December 31, 2018, the net value of the Group's intangible assets was approximately RMB184.4 million, representing a decrease of approximately RMB3.4 million as compared to RMB187.8 million as of December 31, 2017. The decrease was primarily due to the amortisation charged during the year ended December 31, 2018.

Financial Resources and Liquidity

As of December 31, 2018, the Group's cash and bank balances amounted to approximately RMB99.0 million (2017: RMB364.3 million) and the Group had no term deposits (2017: Nil). As at December 31, 2018, the Group's bank borrowing balances was RMB567.7 million as disclosed in Note 16 to the consolidated financial statements for the year ended December 31, 2018 (2017: 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

Save as those disclosed in Note 16 to the consolidated financial statements, during the year ended December 31, 2018, the Group did not enter into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. It 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 or R&D or other services with it.

Commitments

As of December 31, 2018, the Group had a total capital commitment of approximately RMB8.1 million (2017: RMB15.9 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

Capital Expenditure

During the year ended December 31, 2018, the Group incurred expenditure of RMB146.2 million on the construction in progress including facilities and production lines and expenditure of RMB5.3 million on the purchase of property, plant and equipment.

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 bank borrowing as shown in the consolidated balance sheet. Total capital is calculated as "total equity" as shown in the consolidated balance sheet plus total borrowing.

	As at December 31	
	2018	2017
	RMB'000	*RMB'000*
Total borrowing	**567,724**	—
Total equity	**4,494,137**	2,943,514
Total capital	**5,061,861**	2,943,514
Gearing Ratio	**11.22%**	—

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 in certain overseas subsidiaries. The Group did not hedge against any fluctuation in foreign currency during the year ended December 31, 2018. 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, 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 borrowing. Borrowing issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

At December 31, 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year by approximately RMB474,000 (2017: nil).

The sensitivity analysis above has been determined by assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease 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 and trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are 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, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Most of these balances are due from stated-owned enterprises or major customers with good repayment history. There was no material default of the balances in the past.

EMPLOYEES

The Group had approximately 1,079 employees as at December 31, 2018, as compared to 1,322 employees as at December 31, 2017. 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2018.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2018 (2017: Nil).

CLOSURE OF THE REGISTER OF MEMBERS FOR 2019 AGM

For determining the entitlement to attend and vote at the annual general meeting to be held on June 4, 2019 ("**2019 AGM**"), the register of members of the Company will be closed from May 30, 2019 to June 4, 2019, both days inclusive, and during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2019 AGM, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on May 29, 2019.

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 code provisions as set out in the "Corporate Governance Code" (the "**Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 during the year ended December 31, 2018.

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 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 Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year ended December 31, 2018. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year ended December 31, 2018.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company (comprising Mr. Wang Xiaogang, Mr. Chen Geng and Mr. Lin Junshan) has reviewed with the Group's management the consolidated financial information of the Group for the year ended December 31, 2018, including accounting principles and practices adopted by the Group, and discussed risk management and internal controls and financial reporting matters.

Review of Preliminary Announcement of Results by the Independent Auditor

The figures in respect of the Group's results for the year ended December 31, 2018 as set out in this announcement have been agreed by the Company's independent auditor, BDO Limited, in relation to the amounts set out in the Group's consolidated financial statements for the year ended December 31, 2018. The work performed by BDO Limited 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 BDO Limited on this 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 partners for their trust and support.

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

Hong Kong, March 28, 2019

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