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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, 2021

KEY FINANCIALS

- Revenue for the year ended December 31, 2021 amounted to approximately RMB271.4 million, representing an increase of 9.7% from approximately RMB247.4 million recorded in 2020.
- Gross profit for the year ended December 31, 2021 amounted to approximately RMB166.1 million, representing an increase of 11.7% from approximately RMB148.6 million recorded in 2020.
- Profit attributable to owners of PW Medtech Group Limited (the “**Company**” or “**PW Medtech**”) for the year ended December 31, 2021 amounted to approximately RMB739.1 million, representing an increase of 17.0% from approximately RMB631.8 million recorded in 2020.
- Basic earnings per share and diluted earnings per share in 2021 were RMB47.10 cents and RMB47.10 cents (2020: RMB40.26 cents and RMB40.26 cents), respectively, representing an increase of 17.0% and 17.0% from 2020 respectively.

MARKET AND BUSINESS REVIEW

In 2021, at the backdrop of the normalization of the pandemic, the Chinese government has put more emphasis on precise pandemic prevention and control measures and imposed stricter requirements on research and development (“**R&D**”) and innovation capabilities, quality control and management capability of enterprises, marking the reshaping of the industry competition landscape in the long run, which was conducive to the long-term healthy development of the industry.

Currently, China's high-end medical devices mostly rely on imports and the import substitution rate for approximately one-third of the categories of domestic medical devices in China was below 50%. Given the value of medical device segment recognized during the pandemic, the government has prioritized medical device industry. Policies on the optimization of medical device approval were frequently introduced, which significantly facilitated the R&D as well as marketing and promotion of medical devices.

The revised version of the "Regulations on the Supervision and Administration of Medical Devices" (醫療器械監督管理條例) was officially promulgated by the National Medical Products Administration in March 2021 and implemented in June 2021, and the amendments of which further promoted the innovation of the industry systematically by incorporating innovation of medical devices into the key policy development, with a view to better meeting public expectations regarding high-quality medical devices and injecting great impetus to the healthy and rapid development of the industry.

Meanwhile, the government has made adjustments on the standardization of procurement of imported medical devices. The "Guiding Standards on Review of the Government's Procurement of Imported Products" (the "**Guiding Standards**") (政府採購進口產品審核指導標準), which was jointly issued by the Ministry of Finance ("**MOF**") and the Ministry of Industry and Information Technology ("**MIIT**") in May 2021, specified the requirements on the government's procurement ratio of domestic medical devices. Under the list set out in the Guiding Standards, 100% of 137 types of medical devices, 75% of 12 types of medical devices and 50% of 24 types of medical devices are required to be procured domestically by the government, which facilitated the rapid development of imports replacement of the medical industry in China. With the support of policies and capacity expansion of the market, the overall development of the medical device industry has also simultaneously driven the development of its segments.

With increasing importance being attached to medical consumables in the provision of medical services, clinical application of medical consumables is common in various disciplines and low-value medical consumables can help enhance the safety of medical examination and treatment. According to statistics, it is expected that the market size of low-value medical consumables in China will reach RMB221.3 billion by 2025, creating huge potential for the market.

For the year ended December 31, 2021, the operating revenue of the Company and its subsidiaries (the "**Group**") was RMB271.4 million, representing an increase of 9.7% from 2020. The Group recorded a gross profit of RMB166.1 million, representing an increase of 11.7% from 2020. The overall gross profit margin for the period was 61.2%. The profit attributable to owners of the Company amounted to RMB739.1 million, representing an increase of 17.0% over the same period of last year. The Group maintained a stable and sound financial position and cash flows. It is expected that the business revenue of the Group in the future will be on a positive growth trend. Benefited from the gradual recovery of the demand for medical consultation and treatment, which was impacted by the pandemic, the Group's revenue increased during the year. Notwithstanding, medical consultation demand has not recovered to the pre-pandemic level as a result of the locally recurring and volatile pandemic, and the operating results of the medical device industry and its segments were limited to a certain extent.

China's centralized procurement regime for medical consumables implemented in recent years also brought a number of challenges to the industry while the ex-factory price and gross profit of medical device products were affected to a certain extent. In spite of that, the centralized procurement regime will to some extent boost the increase in industry concentration and accelerate the industrial consolidation towards market players with economies of scale and strong innovation capability in the long run.

As a leader in China's medical device industry, the Group actively adapted to the new norm of development under the normalization of the pandemic and proactively coped with the profound changes in the industry by adjusting its business strategies on a case-by-case basis, thereby enhancing the quality and efficiency of both operation and development and maintaining the momentum of steady and progressive development. The Group continued to improve quality control of its products, enhance its R&D capabilities and strengths, so as to actively provide strong support to the industry.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

In February 2021, MIIT has publicly solicited opinions on the "Development Plan of Medical Equipment Industry (Year 2021–2025)" (醫療裝備產業發展規劃(2021–2025年)) (the "**Plan**"). The Plan proposed that by 2025, China will achieve great breakthroughs in respect of key components and parts and materials, high-end medical equipment will be safe and reliable with product performance and quality at international standards, and 6 to 8 enterprises will become top 50 in the global medical device industry. The Plan specified that optimization of the registration and review process of innovative medical equipment will be carried out in the future to provide support for approving globally leading medical equipment that has been granted patents for inventions with first-in-class technology in China through the special approval procedures, which effectively promoted the entering into the stage of rapid development of the medical device industry in China and injected new vitality into the market.

As stated in the "Blue Book of Medical Device Industry: Report on the Development of Medical Device Industry in China (2021)" (《醫療器械藍皮書：中國醫療器械行業發展報告(2021)》) jointly issued by the China Society for Drug Regulation (中國藥品監督管理研究會) and the Social Sciences Academic Press (社會科學文獻出版社) in October 2021, under the guidance of national policies, the medical device industry in China maintained good momentum with robust and rapid growth. Looking into the next two years, opportunities will outweigh challenges in China's medical device industry, and the medical device industry will continue to maintain rapid development with emergence of innovative medical devices at a faster pace. The industry will still be in the "golden era of development" and witness tremendous market growth.

PW Medtech has been focusing on China's fast-growing and high-margin medical device market and actively promotes industrial upgrade, enhances its product innovation and R&D capabilities, and expands the production capacities and product portfolio. In addition to its main businesses of infusion set and intravenous cannula, the Group will continue to expand its business in the diabetes therapy sector and actively facilitate the launch and promotion of insulin injection needles and pens, as well as continue the R&D and expansion of medical devices in other therapeutic sectors to further optimize its

business coverage. As of December 31, 2021, the Group had obtained 34 registration certificates for products, covering, among others, infusion set, intravenous cannula, intestinal feeding device, insulin injection pen, insulin injection needle and blood transfusion set.

In terms of capital management, the Group continued to strengthen control and management of cash flow. In October 2020, the Company entered into three share purchase agreements with independent third parties to dispose of all the shares held by it in China Biologic Products Holdings, Inc. (“**CBPO**”) and completed such disposals in January 2021 with the total proceeds of approximately US\$639 million. With a commitment to delivering superior investment return to the shareholders of the Company, approximately 50% of the proceeds had been applied for the distribution of a special dividend of HK\$1.5766 per share, payment of which in a total of approximately RMB2.06 billion was subsequently completed on February 25, 2021. The remaining proceeds will be used for corporate working capital and to satisfy the needs for future corporate strategic development.

Leverage its leading position in China’s medical device industry continuously, the Group will make active contribution to ensure safety and effectiveness of medical treatment, facilitate industry development, and continuously optimize business coverage so as to enhance the Group’s competitive strengths.

Emphasis on Innovation and R&D

The Group has an R&D team consisting of experienced members. The team closely cooperates with surgeons, hospitals (especially Class III Grade A hospitals), first class university research centers and other research institutions.

The Group continued to step up its R&D efforts. Regarding product lines such as intravenous cannula products, the Group has obtained registration certificates for three new intravenous cannula products during the year. Meanwhile, the Group is now developing a leading disposable dialysis cannula in China. The product allows the users to remove the steel needle after injection and thus minimize damage to blood vessels by leaving only the flexible polymer cannula inside. Unlike traditional cannulas, there are asymmetrical side holes at the duct tip of the product, which are uniquely designed to prevent insufficient blood flow due to contact with the vascular wall, and greatly enhances the product’s comfortability and functions. This project will facilitate the transformation of the Group from intravenous to intraarterial treatment, marking its first step into the hemodialysis market with promising prospects. Furthermore, in order to promote automation and smart product manufacturing, the Group developed a smart defect detection system with precision filters in collaboration with AInnovation Ltd. (創新奇智公司), which is a leading artificial intelligence company in China. Based on computer vision, the system adopts machine learning and artificial intelligence algorithms to improve defect detection efficiency and lower the detection cost of the precision filters significantly, and is expected to be put into operation in the first half of 2022.

As of December 31, 2021, the Group had owned 112 patents for products and had applied for 24 new patents. The Group will continue its investment in product innovation and R&D. Following the R&D strategy of “produce and focus our R&D efforts for a leading next generation of products”, the Group will focus on the R&D and innovation of medical devices so as to enhance its overall competitiveness in the industry.

Expansion of Distribution Network

The Group has an experienced, strong and dedicated team of professional sales and marketing staff to support and consolidate its distribution networks in 31 provinces, municipalities and autonomous regions in China, and enhance the promotion of products from all business segments.

In recent years, China has implemented the centralized procurement regime and promoted innovation in the medical device industry. Supporting policies that encourage the replacement of imports with domestic products and the relevant trends were launched successively, which further propelled the robust and rapid development of the medical device industry in the future. With in-depth understanding of the industry policies, the Group made proactive response and continued to optimize its sales channels and expand its distribution network. The Group actively promoted the Company’s strategic product layout in both the centralized procurement market and non-centralized procurement market, and timely adjusted its bidding strategies. As of December 31, 2021, the Group won the bids for its products in regions such as Hunan, Shandong, Ningxia and Xinjiang. Meanwhile, the Group extended the sales network to cover hospitals in various key provinces and strived to develop new business sectors to promote business growth.

The Group’s core salesmen have an average of ten years of experience in their respective fields. Nearly half of our sales and marketing team have medical education backgrounds, which enable them to communicate with doctors and nurses in a professional and effective manner.

Strategic Acquisitions

By seizing the strategic development opportunities in the industry, the Group made proactive efforts to carry out its strategic layout projects. In November 2021, Medcore Investment Limited, a wholly-owned subsidiary of the Company entered into an agreement to acquire an aggregate of 51% equity interests in Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司) (“**Sichuan Ruijian Medical**”) at a total consideration of approximately US\$100 million, and the closing of the acquisition took place in February 2022.

Sichuan Ruijian Medical is a leading medical device company in China, which principally engaged in the R&D, manufacturing and sales of blood purification products. Since 2014, as driven by the relevant policies, the market size of hemodialysis services maintained a growing trend consecutively for many years. Along with the extended coverage of medical insurance, the increase in reimbursement proportion of major diseases and further optimization of medical policies such as the tiered diagnosis system, it is expected that the market size of the hemodialysis services industry will continue to grow and reach nearly RMB70 billion by 2025, and the level of import substitution will further increase.

The acquisition has led PW Medtech stepping into the hemodialysis market with promising prospects, and will obtain access to Sichuan Ruijian Medical's R&D expertise, experience, intellectual property and future product pipelines in this area, thereby providing better treatment experience and safety assurance for patients. Meanwhile, the acquisition enabled the Company to benefit from the advantages of greater economies of scale. The new business will bring synergy to existing businesses in terms of cost control and sales channels, promote business growth and network expansion, and hence bring about promising outlooks and potential for sustainable growth of the Company, at the same time enhancing the brand recognition and value of the Company.

The Company remain committed to expanding its business layout. In January 2022, Medfusion Investment Limited, an indirect wholly-owned subsidiary of the Company, entered into the share transfer agreement with the vendors and the target company, Beijing Ruijian High-Tech Biological Technology Co., Ltd (北京瑞健高科生物科技有限公司) ("**Beijing Ruijian Biological**"), upon which the Company will, through the purchaser, own 58.2% equity interests in the target company, and the target company will become a non-wholly-owned subsidiary of the Company.

Beijing Ruijian Biological is an innovative biological technology company, which principally engaged in the R&D and manufacturing of animal-derived tissue regenerative medical biomaterials and human tissue repair alternative product. The scope of application of its products covering various aspects in relation to herniorrhaphy, burns and scalds, oral repairing, breast reconstruction and injection cosmetology. The acquisition marks the expansion of the Company into the regenerative medical biomaterials industry that is fast-growing, high-margin and filled with potential opportunities, which is in line with the Company's long-term strategies.

The Group will continue to seek opportunities for merger and acquisition ("**M&A**") and investment projects with promising outlooks and potential for sustainable growth. It will also look for investment and M&A targets that can bring synergy, while promoting market-oriented development and sustainability. Through M&A activities, it will achieve integration of resources advantages for satisfactory investment return.

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, 2021, together with the comparative figures for the year ended December 31, 2020, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	3(b)	271,399	247,352
Cost of sales		<u>(105,343)</u>	<u>(98,748)</u>
Gross profit		166,056	148,604
Other losses — net	4	(17,222)	(21,498)
Fair value loss on investment properties	12	(11,900)	(1,753)
Impairment loss on property, plant and equipment		(40,691)	—
Gain on disposal of interest in an associate	10	—	587,715
Gain on disposal of assets held for sale	11	731,750	—
Selling and marketing expenses		(61,779)	(82,670)
General and administrative expenses		(67,640)	(56,545)
Reversal of/(provision for) impairment losses recognised in respect of trade receivables, net		2,413	(9,771)
Research and development expenses		<u>(20,253)</u>	<u>(45,767)</u>
Operating profit		680,734	518,315
Finance income/(cost) — net	5	56,730	(5,126)
Share of result of an associate		<u>—</u>	<u>113,410</u>
Profit before income tax	6	737,464	626,599
Income tax credit	7	<u>1,653</u>	<u>5,212</u>
Profit for the year		<u>739,117</u>	<u>631,811</u>
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
currency translation differences		(1,929)	(626)
Exchange difference arising on translation of an associate in foreign currency		—	(114,741)
Reclassification from exchange differences reserve to profit or loss on			
— deemed disposal of an associate		—	676
— disposal of an associate		<u>8,944</u>	<u>(17,330)</u>
Other comprehensive income/(expense) for the year		<u>7,015</u>	<u>(132,021)</u>
Total comprehensive income for the year		<u>746,132</u>	<u>499,790</u>

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		739,120	631,814
Non-controlling interests		<u>(3)</u>	<u>(3)</u>
		<u>739,117</u>	<u>631,811</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		746,135	499,793
Non-controlling interests		<u>(3)</u>	<u>(3)</u>
		<u>746,132</u>	<u>499,790</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share attributable to owners of the Company			
for the year	<i>9</i>		
Basic earnings per share		<u>47.10</u>	<u>40.26</u>
Diluted earnings per share		<u>47.10</u>	<u>40.26</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		609,612	698,441
Right-of-use assets		18,124	22,465
Investment properties	12	298,342	274,740
Intangible assets		174,683	177,898
Deferred tax assets		23,334	14,726
Long-term prepayments		7,653	9,140
Financial assets at fair values through other comprehensive income		10,000	—
Loan receivables	13	180,000	—
		1,321,748	1,197,410
Current assets			
Inventories	14	33,177	39,041
Trade and other receivables	15	148,329	151,370
Amount due from an associate		—	27,505
Cash and cash equivalents		2,284,772	1,701,783
Financial assets at fair value through profit or loss	16	127,001	—
		2,593,279	1,919,699
Assets classified as held for sale	11	—	2,166,486
Total current assets		2,593,279	4,086,185
Total assets		3,915,027	5,283,595

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Current liabilities			
Trade and other payables	17	96,473	92,602
Amount due to an associate		—	27,829
Lease liabilities		2,442	2,461
Bank borrowings	18	—	10,000
Tax payables		5,558	5,049
		<u>104,473</u>	<u>137,941</u>
Total current liabilities		104,473	137,941
Net current assets		<u>2,488,806</u>	<u>3,948,244</u>
Non-current liabilities			
Bank borrowings	18	—	18,000
Deferred tax liabilities		2,161	2,728
Deferred government grants		16,005	16,647
		<u>18,166</u>	<u>37,375</u>
Total non-current liabilities		18,166	37,375
NET ASSETS		<u>3,792,388</u>	<u>5,108,279</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	965	965
Share premium		1,492,937	1,492,937
Retained earnings		1,919,507	3,242,575
Reserves		378,979	371,964
		<u>3,792,388</u>	5,108,441
Non-controlling interests		—	<u>(162)</u>
TOTAL EQUITY		<u>3,792,388</u>	<u>5,108,279</u>

NOTES TO FINANCIAL INFORMATION

For the year ended 31 December 2021

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 R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc. (the “Infusion Set Business”).

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 1 January 2021

Amendments to HKFRS 9, HKFRS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform — Phase 2

Amendments to HKFRS 16

COVID-19-Related Rent Concessions beyond 30 June 2021

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period.

(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.

Amendments to HKAS 1 HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current ³ Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	References to Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Annual Improvements to HKFRS 1, HKFRS 9, HKFRS 16 and HKFRS 41	Annual Improvements to HKFRSs 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

3. SEGMENT REPORTING

(a) Business segments

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

For the year ended 31 December 2021, the Group has only one reportable operating segment which is Infusion Set Business that involving the R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc. Thus, no operating segments have been aggregated to form the above reportable operating segment.

(b) Disaggregation of revenue

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer segments		
Revenue from hospitals	41,926	32,008
Revenue from medical products distributors	<u>229,473</u>	<u>215,344</u>
	<u>271,399</u>	<u>247,352</u>
Timing of revenue recognition		
Recognised at a point of time	<u>271,399</u>	<u>247,352</u>

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 RMB35,686,000 representing 13.1% (2020: RMB17,449,000, 7.1%) are derived from a single external customer.

4. OTHER LOSSES — NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants	2,961	4,751
Rental income	13,218	11,801
Property management fee income	8,329	6,279
Gain/(loss) on disposal of property, plant and equipment	38	(1,533)
Loss on guarantee liability (<i>Note</i>)	(734)	(736)
Loss on deemed disposal of an associate	—	(34,817)
Net foreign exchange loss	(40,880)	(5,873)
Others	(154)	(1,370)
	<u>(17,222)</u>	<u>(21,498)</u>
Other losses — net	<u>(17,222)</u>	<u>(21,498)</u>

Note:

The guarantee liability mainly related to a joint guarantee liability of the Group's subsidiary, Xuzhou Yijia Medical Device Co., Ltd (“Xuzhou Yijia”). Based on the judgement from the Supreme People's Court of the PRC in 2018, Xuzhou Yijia is liable to the principal (RMB10 million) and accumulated interest for a defaulted loan granted by a bank, which Xuzhou Yijia had undertaken a joint guarantee with another independent guarantor. As of the date of approval of the consolidated financial statements, the Group is considering to make claims against the other joint guarantor and the former owners of Xuzhou Yijia to claim such loss.

After assessing the risk relating to the joint guarantee liability, the directors of the Company accrued a provision to guarantee liability which included the principal and accumulated interest of the above loan in 2018. The loss recognised during the year ended 31 December 2020 and 2021 represents the interest accrued for the period on the guarantee liability.

5. FINANCE INCOME/(COST) — NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finance income		
Interest income	45,029	5,545
Interest income on wealth management product	4,823	—
Loan interest income	7,483	—
	<u>57,335</u>	<u>5,545</u>
Finance cost		
Interest on bank borrowings	(604)	(10,663)
Interest on lease liabilities	(1)	(8)
	<u>(605)</u>	<u>(10,671)</u>
Finance income/(cost) — net	<u>56,730</u>	<u>(5,126)</u>

6. PROFIT BEFORE INCOME TAX

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before taxation has been arrived at after charging:		
Directors' emoluments	3,861	2,164
Staff costs (excluding directors' emoluments):		
Wages, salaries and bonuses	65,552	62,860
Staff welfare	2,812	3,647
Social security costs	5,670	3,893
Housing fund	3,046	1,781
Total staff costs	80,941	74,345
Auditor's remuneration:		
— Audit services	1,160	1,160
— Non-audit services	2,680	379
Bad debt written off	3,555	4,666
Depreciation of property, plant and equipment	27,700	24,418
Depreciation of right-of-use assets		
— Properties	18	320
— Leasehold land and land use right	482	482
Amortisation of intangible assets	3,215	3,215
Raw materials and consumable used	45,255	40,185

7. TAXATION

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current income tax		
PRC Income Tax expense for the year	(7,522)	(1,339)
Deferred income tax	<u>9,175</u>	<u>6,551</u>
Income tax credit	<u><u>1,653</u></u>	<u><u>5,212</u></u>

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

(a) Cayman Islands profits tax

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

(b) Hong Kong profits tax

Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and 16.5% on the estimated assessable profits above HK\$2 million. No provision for taxation in Hong Kong was made in the financial statements for the current year as the Group's operations in HK had no assessable profits.

(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% (2020: 25%).

Two subsidiaries (2020: Two) 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 (2020: 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 year.

8. DIVIDENDS

Pursuant to the Company's announcement dated on 6 November 2020, the Directors recommended a special dividend of HK\$1.5766 per ordinary share which was subsequently approved by the Shareholders on 8 December 2020. The proposed dividends are not reflected as a dividend payable in these financial statements as the special dividend was subject to completion of disposal of interest in an associate (the "transactions"). As the Transaction completed on 6 January 2021, the special dividend are subsequently paid on 25 February 2021.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

9. 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 2021.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit attributable to owners of the Company	<u>739,120</u>	<u>631,814</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,569,246</u>	<u>1,569,246</u>
Basic earnings per share (RMB cents per share)	<u>47.10</u>	<u>40.26</u>

(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).

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit attributable to owners of the Company	739,120	631,814
Weighted average number of ordinary shares in issue (thousands)	1,569,246	1,569,246
Adjustments for:		
— Share options (thousands)	<u>30</u>	<u>64</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>1,569,276</u>	<u>1,569,310</u>
Diluted earnings per share (RMB cents per share)	<u>47.10</u>	<u>40.26</u>

10. INTEREST IN AN ASSOCIATE

As at 31 December 2020, the Group held 9.67% equity interest in China Biologic Products Holdings, Inc. (“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.

For the year ended 31 December 2020, the Group’s equity interest in CBPO has been less than 20%, the directors of the Company are of opinion that they have had power to exercise significant influence over CBPO as one executive director of the Company had been one of the six directors of CBPO during the year ended 31 December 2020. 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 until reclassified as assets held for sale as at 31 December 2020.

During the period from January 2020 to April 2020, the equity interest held by the Group in CBPO was diluted from 16.44% to 16.40% 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 RMB8,094,000 is recognised in “Other losses — net” and an exchange loss of RMB27,000 is reclassified from exchange reserve to profit or loss.

On 8 May 2020, in accordance with a share purchase agreement (the “Share Purchase Agreement”), the Company sold 1,000,000 ordinary shares to an independent third party for a cash consideration of US\$101,000,000. After the disposal, the Company entered into an amendment to the Share Purchase Agreement, pursuant to which, purchasers agreed to pay additional US\$19,000,000, as adjustments to the sale price, to the Company. The transaction did not affect the degree of significant influences to CBPO as the Company still has power to appoint one of the six directors of CBPO. The disposal of interests in CBPO resulted a gain of RMB269,002,000 recognised in “Gain on disposal of interest in an associate” and an amount of RMB21,078,000 is reclassified from exchange reserve to profit or loss. The interest in CBPO reduced from 16.40% to 13.84% as at the disposal date.

During the period from May 2020 to December 2020, the equity interest held by the Group in CBPO was diluted from 13.84% to 13.72% 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 RMB26,723,000 is recognised in “Other losses — net” and an exchange gain of RMB703,000 is reclassified from exchange reserve to profit or loss.

Pursuant to the Company’s announcement dated on 26 October 2020, the Company has conditionally agreed to sell entire equity interest, being 5,321,000 CBPO Shares, to Biomedical Treasure Limited, CITIC Capital and Biomedical Future Limited at a consideration of US\$120.0 per CBPO Share. Pursuant to the share purchase agreements, Biomedical Treasure Limited, CITIC Capital and Biomedical Future Limited has conditionally agreed to purchase, 3,750,000 CBPO Shares, 910,167 CBPO Shares and no less than 660,833 CBPO Shares respectively.

As at 30 December 2020, the transactions with CITIC Capital and Biomedical Future Limited were completed and detailed in the Company’s announcement dated on 31 December 2020. The disposal of interests in CBPO resulted a gain of RMB318,713,000 recognised in “Gain on disposal of interest in an associate” and an amount of RMB3,748,000 is reclassified from exchange reserve to profit or loss.

The remaining 9.67% interests in CBPO, being 3,750,000 CBPO Shares agreed to be sold to Biomedical Treasure Limited is classified as assets held for sale under HKFRS 5 as at 31 December 2020, as the Directors already located the buyer and had entered into an agreement as at 31 December 2020. The transaction is subsequently completed on 6 January 2021 and the director appointed by the Company resigned as a director of CBPO effective from the same day.

Particulars of the Group's interest in an associate as at 31 December 2020 is as follows:

Name of company	Form of business structure	Place of incorporation/ operations	Percentage of ownership interest/ voting rights/ profit share	Principal activity
China Biologic Products Holdings, Inc.	Corporation	Cayman Islands/PRC	9.67%	Research, development, manufacturing and sales of human plasma-based biopharmaceutical products

The summarised movements of interest in an associate in 2020 are as below:

	<i>RMB'000</i>
At 1 January 2020	3,699,401
Share of result of an associate	113,410
Exchange difference arising on translation of an associate in foreign currency	(114,741)
Disposal of interest in an associate	(1,497,443)
Deemed disposal of interest in an associate	(34,141)
Reclassified as held for sale (<i>Note 11</i>)	<u>(2,166,486)</u>
At 31 December 2020	<u>—</u>

The gain on disposal of interest CBPO is calculated as below:

	2020 <i>RMB'000</i>
Purchases consideration received	2,067,828
Share of interest disposed of	(1,497,443)
Exchange alignments	<u>17,330</u>
Gain on disposal of interest in an associate	<u>587,715</u>

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

	2020
	<i>RMB'000</i>
As at 31 December	
Current assets	10,430,349
Non-current assets	6,213,954
Current liabilities	(920,393)
Non-current liabilities	<u>(252,699)</u>
Net assets	<u><u>15,471,211</u></u>
Net assets attributable to owners of the equity	<u><u>14,872,358</u></u>
Group's share of the net assets of the associate	<u><u>997,479</u></u>
	2020
	<i>RMB'000</i>
Year ended 31 December	
Revenue	3,615,043
Profit for the year	1,163,657
Other comprehensive income	<u>689,886</u>
Total comprehensive income	<u><u>1,853,543</u></u>
Profit for the year attributable to owners of the equity	70,304
Other comprehensive expense attributable to owners of the equity	<u>(20,122)</u>
Total comprehensive income attributable to owners of the equity	<u><u>50,182</u></u>
Dividends received from the associate	<u><u>—</u></u>

11. ASSETS CLASSIFIED AS HELD FOR SALE

Refer to Note 10, the remaining 9.67% equity interest of CBPO as at 31 December 2020, being 3,750,000 CBPO shares, are classified as assets and liabilities of a disposal group classified as held for sale. On 6 January 2021, the transaction of selling the remaining interest was completed and detailed in the Company's announcement dated on 7 January 2021.

	2020 RMB'000
Interest in an associate	<u>2,166,486</u>

The gain on disposal of interest in CBPO is calculated as below:

	2021 RMB'000
Cash consideration received	2,907,180
Share of interest disposed of	(2,166,486)
Exchange alignments	<u>(8,944)</u>
Gain on disposal of assets held for sale	<u>731,750</u>

12. INVESTMENT PROPERTIES

	Total RMB'000
FAIR VALUE	
At 1 January 2020	276,493
Fair value adjustments	<u>(1,753)</u>
At 31 December 2020	274,740
Transferred from property, plant and equipment	31,661
Transferred from right-of-use assets	3,841
Change in fair value	<u>(11,900)</u>
At 31 December 2021	<u>298,342</u>

The above investment properties mainly comprising factories and offices, one of the investment properties are held by the Group for long-term rental yields, which are located at No. 23 Panlong West Road, Pinggu District, Beijing, with a construction area of approximately 39,714.5 square meters. The Group's property interest held to earn rentals is measured using the fair value model and is classified and accounted for as investment properties.

On 31 December 2021, the Group transferred certain of its property interest held under operating leases with carrying value of approximately RMB31,661,000 from property, plant and equipment and RMB3,841,000 from right-of-use assets to investment properties which located at No. 369, Xinhua Road, High-tech Zone, Shandong, with a construction area of approximately 25,542.28 square meters.

The fair value of the Group's investment properties at 31 December 2021 was approximately RMB298,342,000 (31 December 2020: RMB274,740,000). The fair value of the Group's investment properties at 31 December 2021 and 2020 have been arrived at on market value basis carried out by Shenzhen Pengxin Assets Appraisal Land and Real Estate 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.

13. LOAN RECEIVABLES

On 12 April 2021, a loan advance with principal of RMB180,000,000 was granted to Beijing Tianxia Pule Medical Investment Co., Ltd., which is a third party independent of the Company. The loan is interest bearing at 5.5% per annum. The interest is repayable on a half-yearly basis and the outstanding principal amount in full on 11 April 2023.

Impairment assessment

It is considered to be low risk as the loans are collateralised by the real properties owned by the Borrower located in Beijing with fair value amounting to RMB254,344,000. As at 31 December 2021, the management assess that the effect of applying the 12 months expected credit risk model on loan receivable was immaterial.

14. INVENTORIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials	19,341	21,349
Work in progress	4,344	5,331
Finished goods	<u>9,492</u>	<u>12,361</u>
	<u><u>33,177</u></u>	<u><u>39,041</u></u>

15. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables (i)	89,620	107,880
Bills receivable (ii)	1,051	2,026
Prepayments and deposits	9,116	6,488
Value added tax recoverable	19,630	19,713
Other receivables	18,614	15,263
Loan and loan interest receivables	<u>10,298</u>	<u>—</u>
	<u><u>148,329</u></u>	<u><u>151,370</u></u>

- (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.

	2021	2020
	RMB'000	RMB'000
Up to 3 months	30,120	26,345
3 months to 6 months	14,858	15,825
6 months to 12 months	21,736	15,478
1 year to 2 years	16,567	29,191
2 years to 3 years	6,339	21,041
	<u>89,620</u>	<u>107,880</u>

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

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

In 2020, the Group entered into repayment agreements (the “Agreements”) individually with three major customers (the “Customers”) who owed total amount of approximately RMB68,000,000 to the Group. Pursuant to the Agreements, approximately RMB28,000,000 (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 RMB1,400,000 for a period within two years commencing from January 2020. During the year ended 31 December 2021, the repayments made by the Customers for the Overdue Debts have been fully settled.

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

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021
	RMB'000
Wealth management products	
— non-principal protected (<i>note</i>)	<u>127,001</u>

During the year ended 31 December 2021, net gain change in fair value of RMB1,000 are recognised in profit or loss.

Note:

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

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

	2021
	RMB'000
At the beginning of the year	—
Addition	392,001
Disposal	<u>(265,000)</u>
At the end of the year	<u>127,001</u>

17. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	RMB'000
Trade payables	10,577	15,019
Salary and staff welfare payables	22,312	18,942
Advances from customers	16,298	16,051
Deposits received	2,139	3,955
Value added tax and other taxes	4,075	303
Professional service fee	10,188	2,922
Provision of loss from guarantee liability (<i>note 4</i>)	19,214	18,480
Deferred government grant — current portion	642	642
Other payables	<u>11,028</u>	<u>16,288</u>
	<u>96,473</u>	<u>92,602</u>

As at 31 December 2021 and 2020, except for the advances from customers, deposits received, value added tax and other taxes and deferred government grant which are not financial liabilities. All trade and other payables of the Group were non-interest bearing, and their fair values approximated their carrying amounts due to their short maturities.

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

	2021	2020
	RMB'000	RMB'000
Up to 6 months	6,667	3,591
6 months to 12 months	529	3,847
Over 1 year	349	4,924
2 years to 3 years	382	972
Over 3 years	<u>2,650</u>	<u>1,685</u>
	<u>10,577</u>	<u>15,019</u>

18. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Current liability		
Trade finance borrowings due to be repaid within one year which contain a repayable on demand clause (<i>note (a)</i>)	<u>—</u>	<u>10,000</u>
	—	10,000
Non-current liability — Secured		
Bank borrowing (<i>note (b)</i>)	<u>—</u>	<u>18,000</u>
Total bank borrowings	<u><u>—</u></u>	<u><u>28,000</u></u>

Note:

- (a) The bank borrowing represents trade finance advanced from the Bank of Beijing. As at 31 December 2020, bank facilities in total of RMB10,000,000 were granted to the Group's subsidiary, Beijing Fert Technology Co.,Ltd. by the Bank of Beijing, of which RMB10,000,000 is utilised by the Company as at 31 December 2020.

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Company's financial position ratios, as are commonly found in lending arrangements with financial institutions.

If the Company was to breach the covenants, the drawn down facilities would become repayable on demand.

The borrowing is secured by corporate guarantee and bears interest at 0.5% plus the prime rate of the Central Bank in the PRC. The loan is carried at amortised cost.

As at 31 December 2021, the Company has repaid the loan in full.

- (b) On 29 February 2020, the Company was granted a new bank facilities from the Industrial and Commercial Bank of China amounted to RMB220,000,000 which is repayable in 2025, of which RMB18,000,000 has been utilised by the Company as at 31 December 2020.

The borrowing is secured by the leasehold land and building of approximately RMB274,673,000 owned by the Group's subsidiary and bears interest at prime rate of Central Bank in the PRC minus 0.10%. The loan is carried at amortised cost.

As at 31 December 2021, the Company has repaid the loan in full.

19. SHARE CAPITAL

	Number of ordinary shares	Share capital RMB'000
Issued and fully paid:		
Balance at 1 January 2020, 31 December 2020 and 31 December 2021	<u>1,569,246,098</u>	<u>965</u>

20. CAPITAL COMMITMENTS

Capital expenditure contracted for but not accounted for at the end of the reporting period in the financial statements is as follow:

	2021 RMB'000	2020 RMB'000
Commitments for the acquisition of:		
Capital contribution on an unlisted investment fund	10,000	—
Property, plant and equipment	<u>16,730</u>	<u>28,593</u>

21. EVENTS AFTER THE REPORTING PERIOD

Acquisition of a group

Major transaction in relation to acquisition of 58.2% equity interest in Beijing Ruijian High-Tech Biological Technology Co., Ltd (北京瑞健高科生物科技有限公司)

On 5 January 2022, the Group entered into a sale and purchase agreement (the “S&P Agreement”) with individual vendors and institutional vendors (the “Vendors”), pursuant to which the Group conditionally agreed to purchase and the Vendors conditionally agreed to sell 51.5% of the total issued share capital of Beijing Ruijian High-Tech Biological Technology Co., Ltd (北京瑞健高科生物科技有限公司) (the “Beijing Ruijian Biological”) which is a biotechnology company, principally engaged in the R&D of the regenerative medical biomaterials, (the “Beijing Ruijian Biological Proposed Acquisition”) at the consideration of RMB412,000,000 in cash.

On the same day, the Group, the independent minority investors, the Vendors and the Beijing Ruijian Biological entered into the share subscription agreement, pursuant to which the purchaser agreed to subscribe for, and the Beijing Ruijian Biological agreed to issue, 17% enlarged issued share capital of the Beijing Ruijian Biological at the consideration of RMB170,000,000, approximately RMB3,415,180 of which will be accounted for by the Beijing Ruijian Biological as registered capital and approximately RMB166,584,820 of which will be accounted for by the Beijing Ruijian Biological as capital reserve. Pursuant to the share subscription agreement, the independent minority investors agreed to subscribe for, and the Beijing Ruijian Biological agreed to issue, 3% enlarged issued share capital of the Beijing Ruijian Biological at the total consideration of RMB30,000,000. The completion of the share transfer and the share subscription is inter-conditional. Upon completion of the share transfer and the share subscription, the Group will own 58.2% equity interest in the Beijing Ruijian Biological through the purchaser and the Beijing Ruijian Biological will become a non-wholly owned subsidiary of the Group.

The Group considered the acquisition are beneficial to the Group's business development for potential synergy between the businesses of the Group and the Beijing Ruijian Biological and the expansion into the regenerative medical biomaterials industry in the PRC due to regenerative medical biomaterials are clinically advantageous and commercially valuable.

Although the shareholders of the Group approved the Beijing Ruijian Biological Proposed Acquisition and the specific mandate for the issue of the consideration shares at an extraordinary general meeting of the Group held on 11 March 2022, the completion of the Beijing Ruijian Biological Proposed Acquisition is conditional upon fulfilment of several further closing conditions and, as such, the Group have not completed the transaction as at 30 March 2022.

The disclosure, included the goodwill recognised, the fair value of net assets of Beijing Ruijian Biological and the amount of the non-controlling interest recognised at the acquisition date, could not to make due to the Group have not completed the transaction which is not yet fulfilled the closing conditions at 30 March 2022.

The acquisition-related costs, including legal and professional fees and transaction costs of approximately RMB2,752,000 recognised in profit or loss at 31 December 2021.

Major and connected transaction in relation to acquisition of 51% equity interest in Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司)

On 30 November 2021, the Group entered into a sale and purchase agreement with the Vendors, pursuant to which the Group conditionally agreed to purchase and the Vendors conditionally agreed to sell 51% of the total issued share capital of Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司) (the "Sichuan Ruijian Medical") which is a medical device company, principally engaged in the R&D, manufacturing and sales of medical device for blood purification, (the "Sichuan Ruijian Medical Proposed Acquisition") at the consideration of US\$99,457,970 in cash.

The Group considered the acquisition are beneficial to the Group's business development for potential synergy between the businesses of the Group and the Sichuan Ruijian Medical and inspire the innovative development of the medical device sector.

The completion of the Sichuan Ruijian Medical Proposed Acquisition is conditional upon fulfilment of several conditions including, among other things, the shareholders of the Group having approved the Sichuan Ruijian Medical Proposed Acquisition at an extraordinary general meeting of the Group held at 21 January 2022. The Group completed the acquisition which is the satisfaction of the closing conditions as at 28 February 2022. Three out of five directors and one out of three supervisors of the Sichuan Ruijian Medical nominated by the Group having been appointed at the shareholders' meeting of the Sichuan Ruijian Medical.

The financial effects of this transaction have not been recognised at 31 December 2021. The operating results and assets and liabilities of the acquired group would be consolidated from 28 February 2022.

The disclosure, included the goodwill recognised, the fair value of net assets of Sichuan Ruijian Medical and the amount of the non-controlling interest recognised at the acquisition date, could not to make as there is no sufficient time to complete the audit and valuation.

The acquisition-related costs, including legal and professional fees and transaction costs of approximately RMB4,045,000 recognised in profit or loss at 31 December 2021.

FINANCIAL REVIEW

REVENUE

The revenue of the Group increased by 9.7% from approximately RMB247.4 million in 2020 to approximately RMB271.4 million in 2021, as a result of the increase in sales of the Infusion Set Business. Such increase was mainly due to relief of the COVID-19 pandemic and gradual recovery of the hospital traffic in the PRC.

GROSS PROFIT

The Group's gross profit increased by 11.7% from approximately RMB148.6 million in 2020 to approximately RMB166.1 million in 2021. The gross profit margin increased from 60.1% in 2020 to 61.2% in 2021, which was mainly due to: (i) the decrease of the labor cost due to streamlining the number of labor workers; (ii) the improved productive efficiency due to the effective automated management.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses decreased by 25.3% from approximately RMB82.7 million in 2020 to approximately RMB61.8 million in 2021. This decrease was mainly attributable to the Company's proactive efforts in strengthening its cost control and enhancing the marketing efficiency, as well as the temporary reduction of individual promotion activities that would not be able to promptly generate remarkable returns during the epidemic.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 19.6% from approximately RMB56.5 million in 2020 to approximately RMB67.6 million in 2021. The increase was mainly due to: (i) the increase of legal and other services fee which generated from the acquisitions of Sichuan Ruijian Medical and Beijing Ruijian Biological during 2021; and (ii) the increase in expenses in relation to the optimization, improvement and maintenance of the environment and ancillary facilities of the properties.

REVERSAL OF/(PROVISION FOR) IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF TRADE RECEIVABLES

For the year ended December 31, 2021, reversal of impairment losses recognised in respect of trade receivables amounted to approximately RMB2.4 million, as compared with the provision for impairment losses of approximately RMB9.8 million in 2020.

R&D EXPENSES

R&D expenses decreased by 55.7% from approximately RMB45.8 million in 2020 to approximately RMB20.3 million in 2021, mainly due to the decrease in direct R&D expenses, since some of the R&D programs were at stages that did not require a large number of materials and external services.

OTHER LOSSES — NET

Other losses — net in 2021 amounted to approximately RMB17.2 million, decreased by approximately RMB4.3 million from approximately RMB21.5 million in 2020, mainly the net result of: (i) the loss on deemed disposal of an associate in 2020 was approximately RMB34.8 million while it was nil for year 2021 due to the disposal of all the CBPO shares; (ii) the increase of the net foreign exchange loss amounted to RMB35.0 million, which was caused by the change of the exchange rate for the US dollar deposits denominated in RMB; and (iii) the loss on the disposal of property, plant and equipment decreased by approximately RMB1.5 million.

GAIN ON DISPOSAL OF ASSETS HELD FOR SALE/INTEREST IN AN ASSOCIATE

The Group had a gain on disposal of assets held for sale of RMB731.8 million, being the capital gain from the disposal of 3,750,000 CBPO shares completed in January 2021. After the disposal, the Company's has no equity interest in CBPO. While the capital gain from the disposal of 2,571,000 CBPO shares completed in 2020 was approximately RMB587.7 million.

FAIR VALUE LOSS ON INVESTMENT PROPERTIES

The Group had a fair value loss on investment properties of RMB11.9 million in 2021, which was increased by RMB10.1 million from RMB1.8 million in 2020. The increased loss was mainly due to the decline in the rental market in an epidemic environment.

OPERATING PROFIT

Operating profit increased by RMB162.4 million from RMB518.3 million in 2020 to RMB680.7 million in 2021, mainly the net result of: (i) the increase of capital gains from disposal of CBPO shares amounted to RMB144.1 million, from RMB587.7 million in 2020 to RMB731.8 million in 2021; (ii) the loss on deemed disposal of an associate amounted to RMB34.8 million in 2020, which was charged to the profit and loss when the Group's equity interest in CBPO was diluted due to exercise of CBPO share options, while it was nil in 2021; and (iii) the increase of the net foreign exchange loss amounted to RMB35.0 million, which was caused by the change of the exchange rate for the US dollar deposits denominated in RMB.

FINANCE INCOME/(COST) — NET

The Group had a net finance income of RMB56.7 million for the year ended December 31, 2021 which generated from the financing income of bank deposits after the disposal of CBPO shares. While there was a net finance cost of approximately RMB5.1 million for the year ended December 31, 2020. The finance cost was interest expense of bank borrowing which was repaid in May 2021.

SHARE OF RESULT OF AN ASSOCIATE

The investment in CBPO had been accounted for using equity method. In 2020, share of result of CBPO amounted to RMB113.4 million, while after the disposal of all the remaining CBPO shares in January 2021, the share of result of an associate was nil for the year ended December 31, 2021.

INCOME TAX CREDITS

For the year ended December 31, 2021, income tax credits amounted to approximately RMB1.7 million, decreased by approximately RMB3.5 million as compared with approximately RMB5.2 million in 2020. The decrease was mainly due to the record of the deferred income tax assets related to fair value loss on investment properties and impairment loss of trade receivables which was partially offset by the increase of the taxable income.

NET PROFIT

In view of the foregoing reasons, the net profit of the Group in 2021 increased by RMB107.3 million from approximately RMB631.8 million in 2020 to RMB739.1 million, which was mainly due to: (i) the increase of the gains amounted to approximately RMB144.1 million on the disposal of CBPO shares; (ii) the decrease of the share of result in an associate amounted to approximately RMB113.4 million after the completion of the CBPO shares' disposal; (iii) the increase of the financial income amounted to approximately RMB61.9 million; and (iv) the increased profit generated from the increased sales of infusion sets.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the year ended December 31, 2021 amounted to approximately RMB739.1 million, representing an increase of 17.0% from approximately RMB631.8 million recorded in 2020.

PROFIT FOR THE YEAR

The profit for the year ended December 31, 2021 amounted to RMB739.1 million, representing an increase by 17.0% as compared to that for the year ended December 31, 2020.

TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables primarily comprised the outstanding payment from credit sales. As of December 31, 2021, the trade and other receivables of the Group was approximately RMB148.3 million, representing a decrease of approximately RMB3.1 million as compared to approximately RMB151.4 million as of December 31, 2020, which was mainly due to the increase of the collection of account receivables and the reversal of impairment losses on trade receivables of RMB2.4 million.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and established a provision matrix that was based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The details are disclosed in Note 15 to the financial information for the year ended December 31, 2021.

The Group reviews the financial performance of the customers with long aging receivables periodically and revises the credit terms granted to the customers based on credit risk analysis. Besides review of account receivables, the management may also use letter of collection and lawyer's letter to collect receivables. The Group would also negotiate with customer to explore the use of debt agreement if there are higher risk of recoverability. In some circumstances, the internal legal department of the Group would be involved in collection of receivables to explore the availability of legal actions, and to issue formal communication to the customer before escalating the actions. Out of the trade receivable aged over 6 months of RMB65.7 million at December 31, 2020, a total of RMB43.0 million was subsequently received up to December 31, 2021.

As at December 31, 2021, the Group had made loss allowances of RMB32.4 million (as at December 31, 2020: RMB34.8 million) on the trade receivables with a gross amount of RMB122.0 million (as at December 31, 2020: RMB142.7 million).

INVENTORIES

Inventories decreased by approximately 15.0%, from approximately RMB39.0 million as of December 31, 2020 to approximately RMB33.2 million as of December 31, 2021. The decrease of inventories was mainly due to the decrease of the raw materials stock in accordance with the lower risk of inefficient traffic compared with year 2020.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly include buildings and facilities, machinery and equipment and construction in progress. As of December 31, 2021, the property, plant and equipment of the Group amounted to approximately RMB609.6 million, representing a decrease of approximately RMB88.8 million as compared to approximately RMB698.4 million as of December 31, 2020. The decrease was mainly due to the reclassification of RMB31.7 million from buildings and facilities to investment properties as well as the impairment loss of property, plant and equipment of RMB40.7 million during the year ended December 31, 2021.

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, 2021, the net value of the Group's intangible assets was approximately RMB174.7

million, representing a decrease of approximately RMB3.2 million as compared to RMB177.9 million as of December 31, 2020. The decrease was primarily due to the amortisation charged during the year ended December 31, 2021.

INTEREST IN AN ASSOCIATE AND ASSETS CLASSIFIED AS HELD FOR SALE

As at December 31, 2021, our share of the net assets of CBPO was nil after the disposal of all the remaining CBPO shares on January 6, 2021, while as at December 31, 2020, the share of the net assets of CBPO amounted to RMB2,166 million, representing 41.0% of our total assets, which was classified as held for sale on the consolidated statement of financial positions as at December 31, 2020.

FINANCIAL RESOURCES AND LIQUIDITY

As of December 31, 2021, the Group's cash and bank balances amounted to approximately RMB2,284.8 million (2020: RMB1,701.8 million). As of December 31, 2021, the Group's bank borrowing balances was nil as disclosed in Note 18 to the financial information for the year ended December 31, 2021 (2020: RMB28.0 million).

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 4 and 21 to the financial information for the year ended December 31, 2021, during the year ended December 31, 2021, the Group did not enter into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. The Group did not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or R&D or other services with it.

COMMITMENTS

As of December 31, 2021, the Group had a total capital commitment of approximately RMB26.7 million (2020: RMB28.6 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

CAPITAL EXPENDITURE

During the year ended December 31, 2021, the Group incurred expenditure of RMB4.0 million on the construction in progress including facilities and production lines and expenditure of RMB7.3 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 and non-current bank borrowing as shown in the consolidated statement of financial position. Total capital is calculated as “total equity” as shown in the consolidated statement of financial position plus total borrowing.

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Total borrowing	—	28,000
Total equity	3,792,388	5,108,279
Total capital	3,792,388	5,136,279
Gearing Ratio	<u>0.00%</u>	<u>0.55%</u>

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 Hong Kong dollar. Foreign exchange risk arises from bank deposits and borrowings of the Group denominated in foreign currencies. The Group did not hedge against any fluctuation in foreign currency during the year ended December 31, 2021. 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.

As of December 31, 2021, 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 RMB0 (2020: RMB210,000).

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 670 employees as at December 31, 2021, as compared to 756 employees as at December 31, 2020. 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, 2021.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2021 (2020: Nil).

CLOSURE OF THE REGISTER OF MEMBERS FOR 2022 AGM

For determining the entitlement to attend and vote at the 2022 AGM to be held on June 8, 2022, the register of members of the Company will be closed from June 2, 2022 to June 8, 2022, both days inclusive, and during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2022 AGM, unregistered holders of Shares 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on June 1, 2022.

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. The Code has been amended with effect from January 1, 2022. As this announcement covers the year ended December 31, 2021, all the corporate governance principles and code provisions mentioned herein refer to those stated in the Code before the amendments, instead of the revised Code.

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, 2021, with the exception of code provision A.2.1 of the Code.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code 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, 2021. 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, 2021.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company (comprising Mr. Wang Xiaogang, Mr. Chen Geng and Ms. Wang Fengli) has reviewed with the Group's management the consolidated financial information of the Group for the year ended December 31, 2021, 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, 2021 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, 2021. 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 & Chief Executive Officer

Hong Kong, March 30, 2022

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