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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, 2022

KEY FINANCIALS

- Revenue for the year ended December 31, 2022 amounted to approximately RMB536.8 million, representing an increase of 97.8% from approximately RMB271.4 million recorded in 2021 as a result of the additional revenue of approximately RMB288.3 million contributed by the subsidiaries of the Blood Purification Business newly acquired during the year 2022, offset by the approximately 8.4% decrease in sales of the Infusion Set Business.
- Gross profit for the year ended December 31, 2022 amounted to approximately RMB298.8 million, representing an increase of 80.0% from approximately RMB166.1 million recorded in 2021.
- Profit attributable to owners of the Company for the year ended December 31, 2022 amounted to approximately RMB106.0 million, representing a decrease of 85.7% from approximately RMB739.1 million recorded in 2021, which included the one-off gain of RMB731.8 million recorded on disposal of CBPO shares (the “**One-off Disposal Gain in 2021**”), and the non-recurring impairment loss on property, plant and equipment of approximately RMB40.7 million in 2021 (the “**Non-recurring Impairment Loss in 2021**”). For illustration purpose, after excluding the impact of the One-off Disposal Gain in 2021 and the post-tax impact of the Non-recurring Impairment Loss in 2021, the profit attributable to owners of the Company increased by 179.7% from approximately RMB37.9 million recorded in 2021 to approximately RMB106.0 million in 2022 mainly due to (i) the additional profit generated by the newly acquired Blood Purification Business, offset by the additional loss generated by the newly acquired Regenerative Medical Biomaterials Business; and (ii) foreign exchange gain in 2022.
- Basic earnings per share and diluted earnings per share in 2022 were RMB6.77 cents and RMB6.77 cents (2021: RMB47.10 cents and RMB47.10 cents), respectively, representing a decrease of 85.6% and 85.6% from 2021 respectively.

MARKET AND BUSINESS REVIEW

Looking back at 2022, the development of the medical industry was exposed to certain challenges due to the combined effect of the recurring pandemic, the centralized procurement policy, international geopolitical turmoil and the Federal Reserve's rate hikes. However, under the challenges, the medical device industry also demonstrated its unique value and resilience. As one of the important pillars in the development of a modern medical and health system, the medical device industry is highly strategic with high driving effect and growth potential, and is therefore deemed to be vital by the governments of various countries. The authorities of China have introduced a number of policies encouraging the market to accelerate the innovation of domestic medical devices, drive the domestication of high-end medical devices, facilitate the promotion and application of new technologies, and promote the rapid development of the domestic medical device industry. In 2022, the Chinese government has introduced relevant policies regarding medical insurance payment reform, market access and encouraging innovation to promote the development of the medical device industry in China. In the meantime, the development of new medical infrastructure in China catalyzed by the coronavirus disease 2019 (“**COVID-19**”) pandemic in the past few years is also a driving force for the expansion of medical device market.

PW Medtech Group Limited (the “**Company**” or “**PW Medtech**”, together with its subsidiaries, the “**Group**”) is a leading medical device company in China focusing on fast-growing and high-margin segments of China's medical device industry and has been committed to expanding new markets with room for growth to consolidate its leading position in the industry. In 2022, the Group further expanded its business scope and improved its overall competitiveness with the acquisition of the business of Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司) (“**Sichuan Ruijian Medical**”), which is the research and development (“**R&D**”), manufacturing and sales of hemodialysis and blood purification medical devices (the “**Blood Purification Business**”), and the business of 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**”) which is the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products (the “**Regenerative Medical Biomaterials Business**”), together with the R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc. (the “**Infusion Set Business**”), constitute the Group's three existing business segments.

In February 2022, the Group completed the acquisition of 51% equity interests in Sichuan Ruijian Medical and successfully expanded into the blood purification industry. Sichuan Ruijian Medical is a leading medical device company in China, which principally engaged in the R&D, manufacturing and sales of medical devices for blood purification. Its products include hemodialyzer, hemodiafilter and hemoperfutor. Sichuan Ruijian Medical possesses a number of proprietary intellectual property rights, and masters the optimal formula for polyethersulfone hollow fibre membrane, the core raw material for hemodialyzer. Sichuan Ruijian Medical is also engaged in the whole process of independent research, development, design and manufacturing of the production lines from initial spinning to back-end

assembling. As the first enterprise in China to obtain the registration certificate for high-flux hemodialyzers and a pioneer in the domestic hemodialysis consumables sector, its products topped the market share of the nation and were sold to various regions overseas.

In April 2022, the Group completed the equity acquisition and capital increase of Beijing Ruijian Biological. Upon completion of the transaction, the Group owned 58.2% equity interests in Beijing Ruijian Biological, and restarted its operation in the regenerative medical biomaterials sector. Beijing Ruijian Biological is an innovative biological technology company which adopts the latest generation of tissue regenerative material technology for the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative product. Beijing Ruijian Biological has a robust product pipeline, the future application scenarios of which cover a wide range of medical and medical cosmetic fields, including herniorrhaphy, burns and scalds, oral repairing, breast reconstruction and injection cosmetology.

For the year ended December 31, 2022, the operating revenue of the Group was RMB536.8 million, representing an increase of 97.8% from 2021. The Group recorded a gross profit of RMB298.8 million, representing an increase of 80.0% from 2021. The overall gross profit margin for the period was 55.7%. The profit attributable to owners of the Company amounted to approximately RMB106.0 million, representing a decrease of 85.7% from approximately RMB739.1 million recorded in 2021. For illustration purpose, after excluding the impact of the One-off Disposal Gain in 2021 and post-tax impact of the Non-recurring Impairment Loss in 2021, the profit attributable to owners of the Company increased by 179.7% from approximately RMB37.9 million recorded in 2021 to approximately RMB106.0 million in 2022. The Group maintained a stable and sound financial position and cash flows. It is expected that the operating revenue of the Group in the future will be on a positive growth trend.

China's centralized procurement regime for certain medical consumables implemented in recent years brought certain challenges to the industry while the ex-factory price and gross profit of medical device products were affected to a certain extent. From the perspective of long-term development, the centralized procurement 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, thus bringing new opportunities and challenge to the industry.

As a leader in China's medical device industry, the Group proactively coped with 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

With the full relaxation of travel restrictions following the adjustment of the pandemic prevention and control policies at the end of 2022, the demand for general medical treatment in China is expected to return on track gradually, which, in turn, will drive the demand for general diagnostic reagents,

medicines and equipment and consumables. Looking forward, the market is expected to show signs of recovery. In terms of industry policies, innovation and upgrading remain the main line for the development of medical devices in China. The publication of a number of policies encouraging technological innovation in China has accelerated the innovative development of medical devices, greatly boosting the intrinsic motivation of medical device manufacturers for innovation and development, and the National Medical Products Administration has also accelerated the approval of innovative medical devices. In addition, the development of new medical infrastructure in China will not only expand the capacity of large public hospitals, but also improve the quality of primary medical institutions. The delivery of new hospitals can effectively expand the medical device market and provide new growth capacity for the medical device industry.

Globally, the scale of the medical device industry continues to grow at a rapid pace. In terms of market size, China's medical device industry has entered a golden period of booming development. As reported by some institutions, China has become the second largest medical device market after the United States.

Focusing on China's fast-growing and high-margin medical device market, PW Medtech strives to support the upgrade of the industry by improving product innovation and R&D capabilities, expanding manufacturing capacity and product portfolio, and optimizing business presence. In 2022, the Group completed the acquisition of Sichuan Ruijian Medical and Beijing Ruijian Biological respectively. Both of the Blood Purification Business segment and the Regenerative Medical Biomaterials Business segment related to the acquisitions have broad market development space and growth prospects.

With the increasing number of end-stage renal disease patients and the further improvement of medical insurance policies and industrial support policies in China, the domestic hemodialysis market is expanding steadily and the level of import substitution is further improving, presenting opportunities for the development of domestic enterprises. During the year, the Group's Blood Purification Business recorded rapid growth. In the future, the Group will continue to take advantage of the favorable competitive landscape in the industry to secure market share, further consolidate its market position and sufficiently cope with the significant market demand.

For the Regenerative Medical Biomaterials Business segment, the demand is on the rise due to the accelerating aging population, rapid economic development and higher living standards in China and the world. At the same time, with the publication of the relevant policies on medical biomaterials in China, in particular, under the guidance of the "Made in China 2025" program, which sets to "actively pursue ground-breaking development of biopharmaceutical and high-performance medical devices", the regenerative biomaterials sector is expected to have greater potential for development and maintain a high growth rate in the coming years. In 2022, Beijing Ruijian Biological, a subsidiary of the Group engaged in the regenerative medical biomaterials segment obtained its first product registration certificate and completed the clinical trials for its oral cavity repair membrane and breast tissue patch products. Looking forward, leveraging the capital contribution from the Group after the acquisitions and the resources allocated for R&D, marketing and administration purposes, the regenerative medical biomaterials segment is expected to further accelerate commercialization and become a new growth driver of the Group.

In the Infusion Set Business segment, the Group is principally engaged in the R&D and continuous improvement of the materials and performance of infusion sets and cannula products, the optimization of the infusion nursing product line, and the R&D and expansion of medical devices for diabetes and other nursing areas. During the year, the Group submitted an application for the registration of a dialysis cannula. The product employs a domestic-leading technology, allowing the product line to expand from intravenous nursing to intraarterial nursing. Meanwhile, the Group also submitted an application for the registration of a domestic-leading light resistant cannula product during the year. The product employs a unique process and material that can effectively prevent photodegradation and photosensitivity reactions of the infused drug solution and ensure drug efficacy.

As of December 31, 2022, the Group had obtained 45 registration certificates for products, covering, among others, infusion set, cannula, intestinal feeding device, insulin injection pen, insulin needles, blood transfusion set, hemodialyzer, hemodiafilter, hemoperfutor and biologic patch.

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

Emphasis on Innovation and R&D

The Group has established a R&D team that consists 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.

As of December 31, 2022, the Group owned 170 patents for products, including 106 patents in relation to infusion set products, 40 patents for blood purification products and 24 patents for regenerative medical biomaterial products, and has applied for 41 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 the 31 provinces, municipalities and autonomous regions in China, and enhance the promotion of products from all business segments.

The Group continues to optimize marketing channels and expand distribution networks. On July 5, 2022, the Group entered into the Sales of Medical Devices Framework Agreement with Lepu Medical for the sale of medical devices, including but not limited to dialyzers, infusion sets, intravenous cannulas, insulin needles and insulin injection pens, to Lepu Medical Group. With the well-established global product distribution network of Lepu Medical, the entering into of the Sales of Medical Devices Framework Agreement will facilitate the distribution and sale of the Group's products and help enhance the Group's brand value and presence in overseas markets.

The Group's core sales staff have an average of over 10 years of experience in their respective fields and nearly half of the sales and marketing team members have a medical education background, enabling them to communicate with doctors and nurses in a professional and effective manner.

Strategic Acquisitions

The Group seizes the strategic development opportunities in the industry to establish its strategic presence of business. In 2022, the Group completed the acquisitions of Sichuan Ruijian Medical and Beijing Ruijian Biological. Such two new business segments are expected to bring a promising future and the potential for sustainable growth and improve the brand awareness and value of the Company.

The Group continues to seek opportunities for merger and acquisition (“M&A”) 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, 2022, together with the comparative figures for the year ended December 31, 2021, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Revenue	3(b)	536,826	271,399
Cost of sales		<u>(238,001)</u>	<u>(105,343)</u>
Gross profit		298,825	166,056
Other gains/(losses) — net	4	59,613	(17,222)
Fair value loss on investment properties		(250)	(11,900)
Impairment loss on property, plant and equipment		—	(40,691)
Gain on disposal of assets held for sale		—	731,750
Selling and marketing expenses		(67,471)	(61,779)
General and administrative expenses		(126,899)	(65,227)
Research and development expenses		<u>(40,975)</u>	<u>(20,253)</u>
Operating profit		122,843	680,734
Finance income- net	5	<u>34,904</u>	<u>56,730</u>
Profit before income tax	6	157,747	737,464
Income tax (expense)/credit	7	<u>(28,880)</u>	<u>1,653</u>
Profit for the year		<u><u>128,867</u></u>	<u><u>739,117</u></u>
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		49,400	(1,929)
Reclassification from exchange differences reserve to profit or loss on disposal of an associate		—	8,944
Change in fair value of financial assets at fair value through other comprehensive income		<u>458</u>	<u>—</u>
Other comprehensive income for the year		<u>49,858</u>	<u>7,015</u>
Total comprehensive income for the year		<u><u>178,725</u></u>	<u><u>746,132</u></u>

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		106,041	739,120
Non-controlling interests		<u>22,826</u>	<u>(3)</u>
		<u>128,867</u>	<u>739,117</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		155,899	746,135
Non-controlling interests		<u>22,826</u>	<u>(3)</u>
		<u>178,725</u>	<u>746,132</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share attributable to owners of the Company for the year			
	9		
Basic earnings per share		<u>6.77</u>	<u>47.10</u>
Diluted earnings per share		<u>6.77</u>	<u>47.10</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		931,227	609,612
Right-of-use assets		27,409	18,124
Investment properties	<i>10</i>	298,092	298,342
Intangible assets		1,092,448	13,929
Goodwill		564,085	160,754
Deferred tax assets		23,015	23,334
Long-term prepayments		9,511	7,653
Financial assets at fair value through other comprehensive income		90,329	10,000
Trade receivables	<i>13</i>	6,900	—
Loan receivables	<i>11</i>	—	180,000
		<u>3,043,016</u>	<u>1,321,748</u>
Current assets			
Inventories	<i>12</i>	132,228	33,177
Trade and other receivables	<i>13</i>	160,029	148,329
Loan receivables	<i>11</i>	266,294	—
Cash and cash equivalents		1,381,917	2,284,772
Financial assets at fair value through profit or loss	<i>14</i>	5,630	127,001
		<u>1,946,098</u>	<u>2,593,279</u>
Total assets		<u><u>4,989,114</u></u>	<u><u>3,915,027</u></u>

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Current liabilities			
Trade and other payables	<i>15</i>	125,682	96,473
Lease liabilities		3,113	2,442
Contract liabilities		12,462	—
Tax payables		26,594	5,558
		167,851	104,473
Net current assets		1,778,247	2,488,806
Non-current liabilities			
Lease liabilities		1,128	—
Deferred tax liabilities		159,466	2,161
Deferred government grants		23,114	16,005
		183,708	18,166
NET ASSETS		4,637,555	3,792,388
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>16</i>	962	965
Share premium		1,489,876	1,492,937
Retained earnings		2,025,548	1,919,507
Reserves		428,837	378,979
		3,945,223	3,792,388
Non-controlling interests		692,332	—
TOTAL EQUITY		4,637,555	3,792,388

NOTES TO FINANCIAL INFORMATION

For the year ended 31 December 2022

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”), medical device for blood purification (the “Blood Purification Business”) and the regenerative medical biomaterials (the “Regenerative Medical Biomaterials Business”) in the People’s Republic of China (the “PRC”).

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 2022

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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.

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²

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

² Effective for annual periods beginning on or after 1 January 2024.

³ 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 anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

3. REVENUE AND SEGMENT INFORMATION

(a) Business segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers that are used for making strategic decisions. The chief operating decision makers are identified as the executive directors of the Company. The chief operating decision makers regularly monitor and receive reports relating to the performance of the three lines of business the Group operates during the year. In this regard, management has identified three reportable operating segments, namely (1) Infusion Set Business, (2) Blood Purification Business and (3) Regenerative Medical Biomaterials Business.

The major business activities for the four segments are summarised as follows:

- the “Infusion Set Business” segment represents the sales of various medical device products, including infusion set products;
- the “Blood Purification Business” segment represents manufacturing and sales of blood purification products; and

- the “Regenerative Medical Biomaterials Business” segment represents the R&D and manufacturing of animal-derived tissue regenerative medical biomaterials and human tissue repair alternative product.

Inter-segment sales were conducted at prices no less than cost and with terms mutually agreed among those business segments. Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets consist primarily of property, plant and equipment, rights of use assets, intangible assets, inventories, trade and other receivables, loan receivables, amount due from a related party, financial assets at fair value through profit or loss and cash and cash equivalents. Unallocated assets comprise items such as some of cash and cash equivalents, deferred income tax assets and other unallocated assets.

Segment liabilities comprise operating liabilities.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets, intangible assets and other non-current assets.

The segment information provided to the Senior Management for the reportable segments is as follow:

- (i) As at and for the year ended 31 December 2022:

The segment results for the year ended 31 December 2022 are as follows:

	Infusion Set	Blood Purification	Regenerative Medical Biomaterials	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue from external customers	248,491	288,335	—	536,826
Segment results (Operating profit)	65,865	76,293	(21,460)	120,698
Fair value loss on investment properties	(250)	—	—	(250)
Finance income	14,903	2,108	512	17,523
Finance cost	—	(27)	(437)	(464)
Unallocated profit				20,240
Profit before taxation				157,747
Income tax expense				(28,880)
Profit for the year				128,867
Other segment items				
Depreciation of property, plant and equipment	28,525	26,362	602	55,489
Depreciation of right-of-use assets	406	577	272	1,255
Amortisation of intangible assets	3,223	14,542	4,077	21,842
Reversal of impairment losses recognised in respect of trade receivables, net	(2,983)	(32)	—	(3,015)

The segment assets and liabilities as at 31 December 2022 are as follows:

	Infusion Set	Blood	Regenerative Medical	Consolidated
	<i>RMB'000</i>	<i>Purification</i>	<i>Biomaterials</i>	<i>RMB'000</i>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Segment assets	1,453,281	1,179,985	1,037,751	3,671,017
Financial assets at fair value through other comprehensive income				90,329
Unallocated assets				<u>1,227,768</u>
Total assets				<u><u>4,989,114</u></u>
Liabilities				
Segment liabilities	55,753	105,248	143,263	304,264
Unallocated liabilities				<u>47,295</u>
Total liabilities				<u><u>351,559</u></u>

(ii) As at and for the year ended 31 December 2021:

The segment results for the year ended 31 December 2021 are as follows:

	Infusion Set	Blood	Regenerative Medical	Consolidated
	<i>RMB'000</i>	<i>Purification</i>	<i>Biomaterials</i>	<i>RMB'000</i>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue from external customers	271,399	—	—	271,399
Segment results (Operating profit)	18,529	—	—	18,529
Fair value loss on investment properties	(11,900)			(11,900)
Finance income	9,973	—	—	9,973
Finance expenses	(605)	—	—	(605)
Unallocated profit				721,467
Profit before taxation				737,464
Income tax credit				1,653
Profit for the year				739,117
Other segment items				
Depreciation of property, plant and equipment	27,700	—	—	27,700
Depreciation of right-of-use assets	500	—	—	500
Amortisation of intangible assets	3,215	—	—	3,215
Reversal of impairment losses recognised in respect of trade receivables, net	(2,413)	—	—	(2,413)

The segment assets and liabilities as at 31 December 2021 are as follows:

	Infusion Set <i>RMB'000</i>	Blood Purification <i>RMB'000</i>	Regenerative Medical Biomaterials <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Assets				
Segment assets	1,587,474	—	—	1,587,474
Financial assets at fair value through other comprehensive income				10,000
Unallocated assets				<u>2,317,553</u>
Total assets				<u><u>3,915,027</u></u>
Liabilities				
Segment liabilities	70,202	—	—	70,202
Unallocated liabilities				<u>52,437</u>
Total liabilities				<u><u>122,639</u></u>

Analysis of information by geographical regions:

The following table lists out the information about geographical regions. The geographical regions of the sales to external customers are based on the locations where the services are rendered or the places where the goods are delivered.

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Geographical markets		
Mainland China, including HK	505,623	271,399
India	21,468	—
Others	<u>9,735</u>	<u>—</u>
Total	<u><u>536,826</u></u>	<u><u>271,399</u></u>

The geographical location of customers is based on the location at which the goods are delivered. No geographical location of non-current assets is presented as the substantial non-current assets are physically based in the PRC.

(b) Disaggregation of revenue from contracts with customer

The Group derives revenue from the transfer of goods at a point in time in the following customers' segment for infusion set business, blood purification business and regenerative medical biomaterials business:

	Infusion Set <i>RMB'000</i>	Blood Purification <i>RMB'000</i>	Regenerative Medical Biomaterials <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>				
For the year ended 31 December 2022				
Revenue from hospitals	37,364	2,578	—	39,942
Revenue from medical products distributors	<u>211,127</u>	<u>285,757</u>	<u>—</u>	<u>496,884</u>
Total	<u><u>248,491</u></u>	<u><u>288,335</u></u>	<u><u>—</u></u>	<u><u>536,826</u></u>
For the year ended 31 December 2021				
Revenue from hospitals	41,927	—	—	41,927
Revenue from medical products distributors	<u>229,472</u>	<u>—</u>	<u>—</u>	<u>229,472</u>
Total	<u><u>271,399</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>271,399</u></u>
<i>Timing of revenue recognition</i>				
For the year ended 31 December 2022				
At a point in time	<u><u>248,491</u></u>	<u><u>288,335</u></u>	<u><u>—</u></u>	<u><u>536,826</u></u>
For the year ended 31 December 2021				
At a point in time	<u><u>271,399</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>271,399</u></u>

(c) Concentration of customers

There was no single customer that contributed to 10% or more of the Group's revenue for the year ended 31 December 2022.

Revenues of approximately RMB35,686,000 representing 13.1% are derived from a single external customer for the year ended 31 December 2021.

4. OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants	4,940	2,961
Rental income	14,612	13,218
Property management fee income	8,144	8,329
(Loss)/gain on disposal of property, plant and equipment	(11)	38
Loss on guarantee liability (Note)	(734)	(734)
Net foreign exchange gain/(loss)	30,472	(40,880)
Others	2,190	(154)
	<u>59,613</u>	<u>(17,222)</u>
Other gains/(losses) — net	<u>59,613</u>	<u>(17,222)</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 2021 and 2022 represents the interest accrued for the period on the guarantee liability.

5. FINANCE INCOME — NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Finance income		
Bank Interest income	13,072	45,029
Interest income on wealth management product	6,680	4,823
Loan interest income	15,616	7,483
	<u>35,368</u>	<u>57,335</u>
Finance costs		
Bank borrowing	—	(604)
Interest on other borrowings	(337)	—
Interest on lease liabilities	(127)	(1)
	<u>(464)</u>	<u>(605)</u>
Finance income- net	<u>34,904</u>	<u>56,730</u>

6. PROFIT BEFORE INCOME TAX

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation has been arrived at after charging/(crediting):		
Directors' emoluments	2,127	3,861
Staff costs (excluding directors' emoluments):		
Wages, salaries and bonuses	73,265	65,552
Staff welfare	6,362	2,812
Social security costs	13,519	5,670
Housing fund	2,777	3,046
	<u>98,050</u>	<u>80,941</u>
Total staff costs		
Auditor's remuneration:		
— Audit services	1,980	1,160
— Other services	445	2,680
Bad debt written off	300	3,555
Reversal of impairment losses recognised in respect of trade receivables, net	(3,015)	(2,413)
Impairment losses recognised in respect of loan receivables	4,706	—
Depreciation of property, plant and equipment	55,489	27,700
Depreciation of right-of-use assets		
— Properties	688	18
— Leasehold land and land use right	567	482
Amortisation of intangible assets	21,842	3,215
Raw materials and consumable used	150,695	45,255
Write-off of intangible assets	11,400	—
Research and development expenses	50,084	20,253
Less: amount capitalised in intangible assets	(9,109)	—
	<u>40,975</u>	<u>20,253</u>

7. TAXATION

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

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC Income Tax expense for the year	(31,847)	(7,522)
Deferred income tax	2,967	9,175
	<u>28,880</u>	<u>1,653</u>
Income tax (expense)/credit		

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% (2021: 25%).

Four subsidiaries (2021: 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 (2021: 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

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: 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 2022 and 2021.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit attributable to owners of the Company	<u>106,041</u>	<u>739,120</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,566,110</u>	<u>1,569,246</u>
Basic earnings per share (RMB cents per share)	<u>6.77</u>	<u>47.10</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).

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit attributable to owners of the Company	106,041	739,120
Weighted average number of ordinary shares in issue (thousands)	1,566,110	1,569,246
Adjustments for:		
— Share options (thousands)	<u>13</u>	<u>30</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>1,566,123</u>	<u>1,569,276</u>
Diluted earnings per share (RMB cents per share)	<u>6.77</u>	<u>47.10</u>

10. INVESTMENT PROPERTIES

Total
RMB'000

FAIR VALUE

At 1 January 2021	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 and 1 January 2022	298,342
Change in fair value	<u>(250)</u>
At 31 December 2022	<u>298,092</u>

The balance represented a factory which located at No. 369, Xinhua Road, High-tech Zone, Shandong, with a construction area of approximately 25,542.28 square meters. and office premises which are located at No. 23 Panlong West Road, Pinggu District, Beijing, with a construction area of approximately 39,714.5 square meters held by the Group under medium term lease in the PRC.

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 2022 was approximately RMB298,092,000 (31 December 2021: RMB298,342,000). The fair value of the Group's investment properties at 31 December 2022 have been arrived at on market value basis carried out by Shenzhen Pengxin Appraisal Ltd. (2021: 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.

11. LOAN RECEIVABLES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Fixed-rate loan receivables	271,000	180,000
Less: allowance for impairment loss	<u>(4,706)</u>	<u>—</u>
	<u>266,294</u>	<u>180,000</u>
Analysed as:		
Current	266,294	—
Non-current	<u>—</u>	<u>180,000</u>
	<u>266,294</u>	<u>180,000</u>

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 will be repayable in full on 11 April 2023.

As at 31 December 2022, a loan advanced to an independent third party of RMB46,000,000, carried a fixed rate 5.2% per annum for short-term financing needs of the borrower. The loan was unsecured and repayable on 8 February 2023. The loan was fully settled in February 2023.

As at 31 December 2022, a loan advanced to an independent third party of RMB45,000,000, carried a fixed rate 5.3% per annum for short-term financing needs of the borrower. The loan was unsecured and repayable on 31 January 2022. The loan was fully settled in February 2023.

12. INVENTORIES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Raw materials	47,645	19,341
Work in progress	27,512	4,344
Finished goods	47,821	9,492
Goods in transit	<u>9,250</u>	<u>—</u>
	<u>132,228</u>	<u>33,177</u>

13. TRADE AND OTHER RECEIVABLES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Trade receivables (<i>note i</i>)	79,015	89,620
Bills receivable (<i>note ii</i>)	374	1,051
Prepayments and deposits	19,756	9,116
Value added tax recoverable	17,830	19,630
Other receivables	27,441	18,614
Loan interest receivables	5,752	10,298
Amount due from a related party (<i>note iii</i>)	<u>16,761</u>	<u>—</u>
	166,929	148,329
Trade receivables — non-current	<u>(6,900)</u>	<u>—</u>
Trade and other receivables — current portion	<u>160,029</u>	<u>148,329</u>

Note:

- (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.

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Up to 3 months	26,423	30,120
3 months to 6 months	17,420	14,858
6 months to 12 months	14,393	21,736
1 year to 2 years	10,758	16,567
2 years to 3 years	<u>10,021</u>	<u>6,339</u>
	<u>79,015</u>	<u>89,620</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.

Non-current portion of the trade receivables

During the year ended 31 December 2022, the Group entered into repayment agreements (the “Agreements”) individually with three major customers (the “Customers”) who owed total amount of approximately RMB40,063,000 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 20 to 29 months commencing from August 2022.

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

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Wealth management products		
— non-principal protected (<i>note</i>)	<u>5,630</u>	<u>127,001</u>

During the years 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 not redeemable on demand and not principal protected. The return of the product is determined by the performance of the underlying investments which are mainly debt instruments.

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

	2022 RMB'000	2021 RMB'000
At beginning of year	127,001	—
Addition through the acquisition of subsidiaries	7,330	—
Addition	17,400	392,000
Change in fair value recognised in profit or loss	—	1
Disposal	<u>(146,101)</u>	<u>(265,000)</u>
At end of year	<u>5,630</u>	<u>127,001</u>

15. TRADE AND OTHER PAYABLES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Trade payables	27,844	10,577
Salary and staff welfare payables	30,861	22,312
Advances from customers	7,768	16,298
Deposits received	4,235	2,139
Value added tax and other taxes	17,954	4,075
Professional service fee	6,756	10,188
Provision of loss from guarantee liability	21,211	19,214
Deferred government grant — current portion	1,132	642
Other payables	<u>7,921</u>	<u>11,028</u>
	<u>125,682</u>	<u>96,473</u>

As at 31 December 2022 and 2021, 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:

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Up to 6 months	13,796	6,667
6 months to 12 months	1,928	529
Over 1 year	2,343	349
2 years to 3 years	6,760	382
Over 3 years	<u>3,017</u>	<u>2,650</u>
	<u>27,844</u>	<u>10,577</u>

16. SHARE CAPITAL

	Number of ordinary shares	Share capital <i>RMB'000</i>
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 1 January 2022	1,569,246,098	965
Cancellation of shares	<u>(3,614,000)</u>	<u>(3)</u>
At 31 December 2022	<u>1,565,632,098</u>	<u>962</u>

During the year ended 31 December 2022, the Company acquired and cancelled 3,614,000 shares of its own ordinary shares purchases on the Stock Exchange. The total amount paid to acquire the shares was approximately RMB3,036,000.

17. CAPITAL COMMITMENTS

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

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Commitments for the acquisition of:		
Capital contribution on an unlisted investment fund	—	10,000
Property, plant and equipment	<u>35,571</u>	<u>16,730</u>

18. BUSINESS COMBINATION

(a) 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”) (“Sichuan Ruijian”)

On 30 November 2021, Medcore Investment Limited (“Medcore Investment”), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with certain independent third parties, pursuant to which the Medcore Investment agreed to acquire the 51.5% equity interest of Sichuan Ruijian at an aggregate cash consideration of US\$100,381,796 (equivalent to approximately RMB673,702,000). The acquisition was completed on 28 February 2022. Sichuan Ruijian is a medical device company, principally engaged in the R&D, manufacturing and sales of medical device for blood purification in the PRC.

Recognised amounts of identifiable assets acquired and liabilities assumed at 28 February 2022, the date of acquisition, were as follows:

	<i>RMB'000</i>
Property, plant and equipment	321,277
Right-of-use assets	8,428
Intangible assets	246,987
Inventories	91,317
Trade and other receivables	13,761
Amount due from a related party	13,361
Cash and cash equivalents	72,341
Trade and other payables	(27,453)
Contract liabilities	(2,274)
Tax payable	(3,523)
Lease liabilities	(218)
Deferred revenue	(5,841)
Deferred tax liabilities	<u>(41,570)</u>
Total identifiable net assets	686,593
Non-controlling interests	(336,431)
Goodwill	<u>323,540</u>
Total consideration satisfied by:	
Cash	<u>673,702</u>
Acquisition-related costs (included in administrative expenses)	<u>3,917</u>

Cashflow movement in relation to acquisition during the year ended 31 December 2022:

	<i>RMB'000</i>
Cash consideration paid	(673,702)
Cash at bank acquired	<u>72,341</u>
Net cash outflow on acquisition	<u>(601,361)</u>

The acquired business contributed revenue of approximately RMB288,335,000 and net profit after income tax of approximately RMB64,602,000 for the period from 1 March 2022 to 31 December 2022.

(b) 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”) (“Beijing Ruijian”)

On 5 January 2022, Medfusion Investment Limited (“Medfusion Investment”), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with certain independent third parties, pursuant to which the Medfusion Investment agreed to acquire 51.5% of equity interest of Beijing Ruijian at an aggregate cash consideration of RMB412,000,000.

On the same day, Medfusion Investment, certain independent third parties and Beijing Ruijian entered into the share subscription agreement, pursuant to which the Medfusion Investment and certain independent third parties agreed to subscribe for, and the Beijing Ruijian Biological agreed to issue, 17% enlarged issued share capital of the Beijing Ruijian at the aggregate cash 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 as capital reserve. Pursuant to the share subscription agreement, the certain independent third parties agreed to subscribe for, and the Beijing Ruijian agreed to issue, 3% enlarged issued share capital of the Beijing Ruijian at the cash 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 through the purchaser and the Beijing Ruijian will become a non-wholly owned subsidiary of the Group.

The acquisition was completed on 29 April 2022. Beijing Ruijian is a biotechnology company, principally engaged in the R&D of the regenerative medical biomaterials in the PRC.

Details of the acquisition are summarised as follows:

Recognised amounts of identifiable assets acquired and liabilities assumed at 29 April 2022, the date of acquisition, were as follows:

	<i>RMB'000</i>
Plant and equipment	3,488
Right-of-use assets	1,326
Intangible assets	855,377
Inventories	2,277
Trade and other receivables	2,006
Financial assets at fair value through profit or loss	7,330
Cash and cash equivalents	170,114
Trade and other payables	(650)
Other borrowings	(83,019)
Lease liabilities	(1,412)
Deferred revenue	(4,000)
Deferred tax liabilities	<u>(119,021)</u>
Total identifiable net assets	833,816
Non-controlling interests	(331,075)
Goodwill	<u>79,791</u>
Total consideration	<u>582,532</u>
Total consideration satisfied by:	
Cash	<u>582,532</u>
Acquisition-related costs (included in administrative expenses)	<u><u>4,801</u></u>

Cashflow movement in relation to acquisition during the year ended 31 December 2022:

	<i>RMB'000</i>
Cash consideration paid	(582,532)
Cash at bank acquired	<u>170,114</u>
Net cash outflow on acquisition	<u><u>(412,418)</u></u>

The acquired business contributed RMBnil revenue and net loss after income tax of approximately RMB21,120,000 for the period from 30 April 2022 to 31 December 2022.

FINANCIAL REVIEW

OVERVIEW

	For the year ended		Change
	December 31,		
	2022	2021	
	RMB'000	RMB'000	
Revenue			
— Infusion Set Business	248,491	271,399	-8.4%
— Blood Purification	288,335	—	N/A
— Regenerative Medical Biomaterials Business	—	—	N/A
Total Revenue	536,826	271,399	97.8%
Gross profit	298,825	166,056	80.0%
Gain on disposal of assets held for sale	—	731,750	-100.0%
Profit for the year	128,867	739,117	-82.6%
Profit attributable to owners of the Company	<u>106,041</u>	<u>739,120</u>	<u>-85.7%</u>

REVENUE

As a result of the additional revenue contributed by the newly acquired subsidiaries of the Blood Purification Business since the completion of the acquisition, offset by the decrease in sales of the Infusion Set Business, the revenue of the Group increased by 97.8% from approximately RMB271.4 million in 2021 to approximately RMB536.8 million in 2022.

Revenue from the Blood Purification Business for the ten-month period ended December 31, 2022 (the period immediately after the completion of the acquisition on February 28, 2022) amounted to approximately RMB288.3 million, which accounts for approximately 53.7% of the Group's revenue for the year ended December 31, 2022.

According to the unaudited management accounts of the relevant subsidiaries comprising the Blood Purification Business prepared under HKFRS, revenue of the Blood Purification Business in 2022 was approximately RMB334.8 million, which increased by 30.7% compared to approximately RMB256.3 million for the year 2021. The increase is mainly contributed by the increase in sales volume as a result of increased market demand and the expansion of sales network.

Compared to the Blood Purification Business, the sales of the Infusion Set Business is more sensitive to the changes in hospital traffic caused by pandemic restriction measures. Revenue from the Infusion Set Business amounted to approximately RMB248.5 million in 2022, representing a decrease of 8.4% from 2021. The decrease was mainly due to the decrease in sales volume as a result of resurgence of COVID-19 pandemic in various major cities in China during the year as well as slight decrease in sales price.

GROSS PROFIT

The Group's gross profit increased by 80.0% from approximately RMB166.1 million in 2021 to approximately RMB298.8 million in 2022. The gross profit margin decreased from 61.2% in 2021 to 55.7% in 2022, which is primarily attributable to the acquisition of the Blood Purification Business with a lower gross margin of 51.9%, together with the decrease of gross profit margin of the Infusion Set Business from 61.2% in 2021 to 60.0% in 2022. The decrease of gross profit margin of the Infusion Set Business was mainly due to the increase in unit fixed cost as the sales volume declined.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses increased by 9.2% from approximately RMB61.8 million in 2021 to approximately RMB67.5 million in 2022. This increase was mainly attributable to the additional selling expense incurred by the newly acquired Blood Purification Business, which was partially offset by the decrease of RMB12.2 million in selling expense of Infusion Set Business. The selling expense of the Infusion Set Business was mainly due to: (i) the reduction of promotion activities during the pandemic; and (ii) the decrease of labor cost as a result of the restructure of distribution network.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 94.5% from approximately RMB65.2 million in 2021 to approximately RMB126.9 million in 2022. The increase was mainly attributable to the additional administrative expenses incurred by the newly acquired Blood Purification Business and the Regenerative Medical Biomaterials Business.

R&D EXPENSES

R&D expenses increased by 102.3% from approximately RMB20.3 million in 2021 to approximately RMB41.0 million in 2022, mainly due to the R&D expenses incurred by the newly acquired Blood Purification Business and Regenerative Medical Biomaterials Business, offset by the decrease of R&D expenses of the Infusion Set Business. The decrease of R&D expenses of the Infusion Set Business was caused by 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 GAINS/(LOSSES) — NET

Other gains — net in 2022 amounted to approximately RMB59.6 million, as compared with net other losses of approximately RMB17.2 million in 2021. The change was mainly due to: (i) the net foreign exchange gain amounted to RMB27.6 million for the year 2022 caused by the fluctuation of the exchange rate for the US dollar deposits denominated in RMB, while a net foreign exchange loss amounted to RMB40.9 million was recorded in 2021; and (ii) the other gains contributed by the newly acquired Blood Purification Business.

GAIN ON DISPOSAL OF ASSETS HELD FOR SALE

The Group had a gain on disposal of assets held for sale of RMB731.8 million in 2021, being the One-off Disposal Gain in 2021, the Group's gain on disposal of assets held for sale was nil in 2022.

FAIR VALUE LOSS ON INVESTMENT PROPERTIES

The Group had a fair value loss on investment properties of RMB0.3 million in 2022(2021: RMB11.9 million). The loss was mainly due to the decline in the rental market in a pandemic environment.

OPERATING PROFIT

Operating profit was approximately RMB680.7 million in 2021, which included the One-off Disposal Gain in 2021. For illustration purpose, after excluding the impact of the One-off Disposal Gain in 2021 and Non-recurring Impairment Loss in 2021, the operating profit increased by RMB133.2 million in 2022, mainly the net result of: (i) the additional operating profit generated by the newly acquired Blood Purification Business which amounted to RMB76.3 million, offset by the additional operating loss generated by the newly acquired Regenerative Medical Biomaterials Business which amounted to RMB21.5 million; (ii) the change from other losses which amounted to RMB17.2 million in 2021 to other gains which amounted to RMB59.6 million in 2022 as a result of the fluctuation of foreign currencies.

FINANCE INCOME — NET

Net finance income decreased by 38.5% from approximately RMB56.7 million in 2021 to approximately RMB34.9 million in 2022, which was mainly due to the decline in the average balance of bank deposits as a result of the cash considerations paid by the Group upon the completion of the relevant acquisitions during the year.

INCOME TAX (EXPENSES)/CREDITS

The income expenses was RMB28.9 million in 2022, as compared with income tax credits amounted to approximately RMB1.7 million in 2021. The change was mainly due to: (i) the additional income tax expenses incurred by the newly acquired Blood Purification Business; and (ii) the increase of taxable profit of the Infusion Set Business.

PROFIT FOR THE YEAR AND PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit for the year of the Group and profit attributable to owners of the Company was approximately RMB128.9 million and RMB106.0 million in 2022, representing a decrease of 82.6% and 85.7% from 2021, respectively. For illustration purpose, after excluding the impact of the One-off Disposal Gain in 2021 and the post tax impact of the Non-recurring Impairment Loss in 2021, the profit for the year of the Group increased from approximately RMB37.9 million in 2021 to RMB128.9 million in 2022 and profit attributable to owners of the Company increased from approximately

RMB37.9 million in 2021 to approximately RMB106.0 million in 2022. The increases was mainly due to increase of operating profit, partially offset by the decrease of finance income and the increase of income tax expenses.

TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables primarily comprised the outstanding payment from credit sales. As of December 31, 2022, the trade and other receivables of the Group was approximately RMB166.9 million, representing an increase of approximately RMB18.6 million as compared to approximately RMB148.3 million as of December 31, 2021, which was mainly due to the incremental from the trade and other receivables balances for newly acquired Blood Purification Business and Regenerative Medical Biomaterials Business.

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 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 circumstance, 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 RMB44.6 million as at December 31, 2021, a total of RMB35.1 million was subsequently received up to December 31, 2022.

As at December 31, 2022, the Group had made loss allowances of RMB25.9 million (as at December 31, 2021: RMB32.4 million) on the trade receivables with a gross amount of RMB104.9 million (as at December 31, 2021: RMB122.0 million).

INVENTORIES

Inventories increased from approximately RMB33.2 million as of December 31, 2021 to approximately RMB132.2 million as of December 31, 2022, which was mainly due to the additional inventories of the newly acquired Blood Purification Business amounting to RMB89.9 million, the additional inventories of the newly acquired Regenerative Medical Biomaterials Business amounting to RMB3.6 million, together with an increase of RMB5.5 million in inventories of Infusion Set Business caused by the increase in stock of raw materials and finished goods to meet potential market demand for the next year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly include buildings and facilities, machinery and equipment and construction in progress. As of December 31, 2022, the property, plant and equipment of the Group amounted to approximately RMB931.2 million, representing an increase of approximately RMB321.6 million as compared to approximately RMB609.6 million as at December 31, 2021. The increase was mainly due to the additional property, plant and equipment of the newly acquired Blood Purification Business and Regenerative Medical Biomaterials Business.

INTANGIBLE ASSETS AND GOODWILL

The Group's intangible assets mainly include 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. As of December 31, 2022, the net value of the Group's intangible assets was approximately RMB1,092.4 million, representing an increase of approximately RMB1,078.5 million as compared to RMB13.9 million as of December 31, 2021. As of December 31, 2022, the net value of the Group's goodwill was approximately RMB564.1 million, representing an increase of approximately RMB403.3 million as compared to RMB160.8 million as of December 31, 2021. The increase was primarily due to: (i) the increase in goodwill of RMB323.5 million, and the development cost and customer relationships of RMB247.0 million identified separately from the consideration paid for the acquisition of Sichuan Ruijian Medical in accordance with HKFRS; and (ii) the increase in goodwill of RMB79.8 million, and the development cost of RMB855.4 million identified separately from the consideration paid for the acquisition of Beijing Ruijian Biological in accordance with HKFRS.

The goodwill is subject to impairment test at each period end, while the technology know-how, trademarks, computer software and customer relationship are amortised with straight line method for 10–20 years. The amortization of the development cost and customer relationships identified from the consideration paid for the acquisition of Sichuan Ruijian Medical Group for the ten months ended December 31, 2022 was approximately RMB13.6 million. The amortization of the development cost identified from the consideration paid for the acquisition of Beijing Ruijian Biological for the eight months ended December 31, 2022 was approximately RMB3.7 million. The amortization was included in the general and administrative expenses.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at December 31 2022, the Group's financial assets at fair value through other comprehensive income was approximately RMB90.3 million (December 31, 2021: RMB10.0 million). The increase was due to the Group's investment in the H shares of Lepu Biopharma in February 2022 and the investment in an unlisted investment fund.

FINANCIAL RESOURCES AND LIQUIDITY

As of December 31, 2022, the Group's cash and bank balances amounted to approximately RMB1,381.9 million (2021: RMB2,284.8 million). As of December 31, 2022, the Group's bank borrowing balances was nil (2021: nil).

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

PLEDGE OF ASSETS

During the year ended December 31, 2022, 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, 2022, the Group had a total capital commitment of approximately RMB35.6 million (2021: RMB26.7 million), comprising mainly contracted capital expenditure for construction or acquisition of property, plant and equipment.

CAPITAL EXPENDITURE

During the year ended December 31, 2022, the Group incurred expenditure of RMB40.2 million on the construction in progress including facilities and production lines and expenditure of RMB21.7 million on the purchase of property, plant and equipment as well as intangible assets.

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,	
	2022	2021
	RMB'000	RMB'000
Total borrowing	—	—
Total equity	4,637,555	3,792,388
Total capital	4,637,555	3,792,388
Gearing ratio	<u>0.00%</u>	<u>0.00%</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, 2022. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

Other than bank balances with variable interest rates, and the loan receivables with fixed interest 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, 2022, 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 (2021: RMB0).

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.

CONTINGENT LIABILITIES

As of December 31, 2022, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

CREDIT RISK

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

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

For trade and other receivables and loan receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Most of trade and other receivables balances are due from 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 1,124 employees as at December 31, 2022, as compared to 670 employees as at December 31, 2021, as a results of acquiring Sichuan Ruijian Medical and Beijing Ruijian Biological. 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

During the year ended December 31, 2022, the Company repurchased on the Stock Exchange a total of 3,614,000 Shares at a total consideration of approximately HK\$3,498,820. Out of which, 2,778,000 Shares had been cancelled on March 2, 2022 and 836,000 Shares had been cancelled on September 22, 2022. Details of the Share repurchases are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
January 2022	2,778,000	1.05	0.93	2,804,310
April 2022	500,000	0.86	0.81	421,790
May 2022	336,000	0.83	0.78	272,720

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2022.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2022 (2021: Nil).

CLOSURE OF THE REGISTER OF MEMBERS FOR 2023 AGM

For determining the entitlement to attend and vote at the 2023 AGM to be held on June 6, 2023, the register of members of the Company will be closed from June 1, 2023 to June 6, 2023, 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 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on May 31, 2023.

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, 2022, with the exception of code provision C.2.1 of the Code.

According to code provision C.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, 2022. 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, 2022.

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 the consolidated financial information of the Group for the year ended December 31, 2022, including accounting principles and practices adopted by the Group, and discussed with the Group’s management 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, 2022 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, 2022. 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, 2023

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.