

PW MEDTECH GROUP LIMITED

普华和顺集团公司

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

2024 Annual Report



A True Pioneer in China's Medical Device Industry

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

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Corporate Profile

PW Medtech is a leading medical device company focused on fast-growing and high-margin segments of China's medical device industry. The Group has leading market positions in its current business segments of infusion sets, blood purification products and regenerative medical biomaterials, with strong R&D capabilities and well-established distribution networks. The Shares were successfully listed on the Main Board of the Stock Exchange since November 8, 2013, which enabled PW Medtech's access to the international capital market and created a platform for its rapid development.

- The Group is a leading company in China in Infusion Set Business. The Group's products including non-PVC-based infusion sets, precision filter infusion sets, light resistant infusion sets, intravenous cannula products and insulin needles and pens. The Group is one of the first manufacturers which obtained the approval of the NMPA to manufacture precision filter infusion sets, and one of the first three manufacturers approved by the NMPA to manufacture non-PVC based infusion sets. The Group also holds patented double-layer tubing design for non-PVC-based infusion sets.
- The Group is a leading company in China in Blood Purification Business. The Group's products including high flux hemodialyzer, low flux hemodialyzer, hemodiafilter, hemoperfutor and dialysis machines. The Group is the first domestic manufacturer which obtained registration certificate of high flux hemodialyzer in China.
- The Group has strong R&D capabilities in Regenerative Medical Biomaterials Business segment. The Group adopts the leading and a new generation of tissue regenerative material technology and has a complete product pipeline, the application scenarios of which covering various aspects in relation to herniorrhaphy, burns and scalds, oral repairing, breast reconstruction and injection cosmetology.

Definitions

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

“2025 AGM”	the AGM to be held on June 10, 2025
“actual controller (實際控制人)”	the individual or entity that can control a company by way of investment, contract or other arrangements according to the Listing Rules of the Growth Enterprise Market (《創業板股票上市規則》) published by the Shenzhen Stock Exchange where Lepu Medical is listed
“AGM”	annual general meeting of the Company
“Articles”	the articles of association of the Company
“Audit Committee”	the audit committee of the Company
“Beijing Ruijian Biological”	Beijing Ruijian High-Tech Biological Technology Co., Ltd (北京瑞健高科技生物科技股份有限公司), a limited liability company incorporated in the PRC on February 5, 2013
“Blood Purification Business”	the R&D, manufacturing and sales of blood purification medical devices
“Board”	the board of Directors
“CBPO”	China Biologic Products Holdings, Inc., a Cayman Islands exempted company, which changed its domicile from Delaware to the Cayman Islands on July 21, 2017 and was previously listed on the NASDAQ Stock Market since 2009 (NASDAQ stock code: CBPO)
“CEO”	chief executive officer of the Company
“CG Code”	the “Corporate Governance Code” as contained in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Chairman”	the chairman of the Board
“Company”, “Group”, “PW Medtech” or “we”	PW Medtech Group Limited (普华和顺集团公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011 and except where the context indicated otherwise its subsidiaries
“Company Secretary”	the secretary of the Company
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Dr. Pu”	Dr. Zhongjie Pu, the spouse of Ms. Yue’e Zhang and the actual controller of Lepu Medical
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standards
“Infusion Set Business”	the R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc.
“IPO”	the Company’s initial public offering of its Shares

Definitions

“Lepu Medical”	Lepu Medical Technology (Beijing) Co., Ltd. (乐普(北京)医疗器械股份有限公司), a joint stock company incorporated in the PRC on June 11, 1999 and listed on the Shenzhen Stock Exchange (stock code: 300003)
“Lepu Medical Group”	Lepu Medical and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“NMPA”	the National Medical Products Administration
“Medcore Investment”	Medcore Investment Limited (美宜科投资有限公司), a limited company incorporated under the laws of Hong Kong on September 9, 2021 and a wholly-owned subsidiary of the Company
“Medical Products Processing Services Framework Agreement”	the medical products processing services framework agreement dated July 5, 2022 entered into between the Company and Lepu Medical for the provision of medical products processing services by the Group to Lepu Medical Group
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix C3 to the Listing Rules
“NEEQS”	National Equities Exchange and Quotation System
“NEEQS Quotation”	the spin-off of Sichuan Ruijian Medical, by way of a separate quotation on NEEQS without issuance of new shares
“Nomination Committee”	the nomination committee of the Company
“Offer Share(s)”	the new A-shares to be issued by Sichuan Ruijian Medical under the Subsequent Listing
“Over-allotment Option”	the over-allotment option of a maximum of 15% of the total number of the new A-shares of Sichuan Ruijian Medical issued that may be exercised under the Subsequent Listing
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on July 3, 2013 and amended on October 14, 2013
“Prospectus”	the prospectus of the Company dated October 28, 2013
“Purchase of Medical Devices Molds and Components Framework Agreement”	the purchase of medical devices molds and components framework agreement dated December 14, 2022 entered into between the Company and Lepu Medical for the purchase of medical devices molds and components by the Group from Lepu Medical Group
“PVC”	polyvinylchloride
“R&D”	research and development
“Regenerative Medical Biomaterials Business”	the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products
“Remuneration Committee”	the remuneration committee of the Company
“Renewed Purchase of Medical Devices Molds and Components Framework Agreement”	the purchase of medical devices molds and components framework agreement dated January 1, 2024 entered into between the Company and Lepu Medical for the purchase of medical devices molds and components by the Group from Lepu Medical Group

“Renewed Sales of Medical Devices Framework Agreement”	the renewed sales of medical devices framework agreement dated October 18, 2024 entered into between the Company and Lepu Medical for the sales of medical devices from the Group to the Lepu Medical Group
“Reporting Period”	the year ended December 31, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Sales of Medical Devices Framework Agreement”	the sales of medical devices framework agreement dated July 5, 2022 entered into between the Company and Lepu Medical for the sales of medical devices from the Group to the Lepu Medical Group
“Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement”	the purchase of medical devices molds and components framework agreement dated October 18, 2024 entered into between the Company and Lepu Medical for the purchase of medical devices molds and components by the Group from Lepu Medical Group
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value US\$0.0001 each in the issued share capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on October 14, 2013
“Shareholder(s)”	holder(s) of Shares
“Sichuan Ruijian Medical”	Sichuan Rekind Medtec., Inc. (also known as Sichuan Ruijian Medical Technology Co. Ltd.) (四川睿健醫療科技股份有限公司), a joint stock limited liability company established in PRC on August 6, 2013, a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Listing”	the subsequent listing of Sichuan Ruijian Medical on Beijing Stock Exchange by way of issuance of new A-shares of Sichuan Ruijian Medical subject to the then market conditions and its strategic development needs
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent

Corporate Information

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Mr. JIANG Liwei

Mr. LIN Junshan

Independent Non-executive Directors

Mr. WANG Xiaogang

Mr. CHEN Geng

Ms. WANG Fengli

COMPANY SECRETARY

Ms. SO Ka Man, *FCG, HKFCG*

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Ms. Yue'e ZHANG

Ms. SO Ka Man

AUDIT COMMITTEE

Mr. WANG Xiaogang (*Chairman*)

Mr. LIN Junshan

Mr. CHEN Geng

REMUNERATION COMMITTEE

Mr. CHEN Geng (*Chairman*)

Mr. LIN Junshan

Ms. WANG Fengli

NOMINATION COMMITTEE

Ms. Yue'e ZHANG (*Chairman*)

Mr. WANG Xiaogang

Ms. WANG Fengli

AUDITOR

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

REGISTERED OFFICE

The Grand Pavilion Commercial Centre

Oleander Way, 802 West Bay Road

P.O. Box 32052

Grand Cayman KY1-1208

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building 1, No. 23 Panlong West Road

Pinggu District

Beijing, PRC 101204

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1928, 19/F

Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

PRINCIPAL BANKERS

Morgan Stanley & Co International

PLC 31/F, International Commerce

Centre 1 Austin Road West, Kowloon

Hong Kong

China CITIC Bank

Wanliu Branch

5-32, Xing Biao Garden

Wanliu Central Road

Haidian District

Beijing, PRC

HONG KONG LEGAL ADVISOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE AND BOARD LOT

Stock code: 1358
Board lot: 1,000

WEBSITE

www.pwmedtech.com

Milestones

2024

- Sichuan Ruijian Medical successfully completed the NEEQS Quotation

2022

- Acquired 51% equity interest in Sichuan Ruijian Medical and entered into Blood Purification Business
- Acquired 58.2% equity interest in Beijing Ruijian Biological and entered into Regenerative Medical Biomaterial Business

2020

- Entered into agreements to dispose all equity interests in CBPO achieving high returns, and declared a special dividend in the amount of half of the proceeds

2018

- Upon the completion of the Share Exchange Agreement with CBPO, the Group has become the single largest shareholder of CBPO, and Tianxinfu has become a subsidiary of CBPO. The Group also further acquired 800,000 CBPO shares in August

2017

- Entered into the Share Exchange Agreement with CBPO to subscribe for 5,521,000 CBPO shares, representing 16.66% of the enlarged issued share capital of CBPO by way of exchanging the Group's equity interest in Tianxinfu with CBPO

2016

- Disposed of equity interests in Walkman Biomaterial and Shenzhen Bone, two subsidiaries engaging in Orthopedic Implant Business

2014

- Acquired Tianxinfu and entered into Regenerative Medical Biomaterial Business

2013

- Acquired Xuzhou Yijia Medical Device Co., Ltd. and further expanded into Infusion Set Business
- Acquired Shenzhen Bone Medical Device Co., Ltd. ("Shenzhen Bone") and expanded into joint products
- Listed on The Main Board of the Stock Exchange on November 8, 2013

2011

- Acquired Beijing Fert Technology Co., Ltd. ("Fert Technology") and entered into Infusion Set Business

2008

- Acquired Tianjin Walkman Biomaterial Co., Ltd. ("Walkman Biomaterial") and entered into the business of development, manufacturing and sale of orthopedic implants products (the "Orthopedic Implant Business")

2002

- Tianxinfu (Beijing) Medical Appliance Co., Ltd. ("Tianxinfu") and Shenzhen Bone were founded

2001

- Walkman Biomaterial was founded

1997

- Fert Technology was founded

Key Financials

- Revenue for the year ended December 31, 2024 amounted to approximately RMB768.9 million, representing an increase of 13.9% from approximately RMB675.1 million recorded in 2023.
- Gross profit for the year ended December 31, 2024 amounted to approximately RMB419.4 million, representing an increase of 10.1% from approximately RMB380.9 million recorded in 2023.
- Profit for the year ended December 31, 2024 amounted to approximately RMB192.5 million, representing a decrease of 6.1% from approximately RMB205.0 million recorded in 2023.
- Profit attributable to owners of the Company for the year ended December 31, 2024 amounted to approximately RMB150.8 million, representing a decrease of 1.6% from approximately RMB153.2 million recorded in 2023.
- Basic earnings per share and diluted earnings per share in 2024 were RMB9.77 cents and RMB9.77 cents (2023: RMB9.78 cents and RMB9.78 cents), respectively, representing a minor decrease of 0.1% and 0.1% from 2023, respectively.
- Final dividend proposed per share for the year ended December 31, 2024 was HK5.3 cents (for the year ended December 31, 2023: HK4.95 cents). Total dividend per share for the year ended December 31, 2024 was HK9.8 cents (for the year ended December 31, 2023: HK9.85 cents).

Financial Summary

RESULTS

	For the Year Ended December 31,				2024 RMB'000
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	
Revenue	247,352	271,399	536,826	675,084	768,903
Profit before income tax	626,599	737,464	157,747	231,067	229,753
Profit for the year	631,811	739,117	128,867	205,023	192,522
Profit attributable to:					
Owners of the Company	631,814	739,120	106,041	153,184	150,780
Non-controlling interests	(3)	(3)	22,826	51,839	41,742

ASSETS AND LIABILITIES

	As at December 31,				2024 RMB'000
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	
Total assets	5,283,595	3,915,027	4,989,114	5,152,049	5,160,929
Total liabilities	175,316	122,639	351,559	327,064	357,561
Equity attributable to the owners of the Company	5,108,441	3,792,388	3,945,223	4,044,341	3,971,401

Chairman's Statement

It is a great honor for me, on behalf of the Board, to present the annual report of the Company for the financial year ended December 31, 2024.

In 2024, the global economy slowly recovered with insufficient growth momentum. The Chinese economy maintained overall stability with steady progress, while still facing many difficulties and challenges due to increased adverse impact of changes in the external environment.

In terms of the industry, the medical device market in China, being the second largest medical device market globally, has grown steadily over the years. In 2024, the Chinese government continued to deepen reform in the medical device industry. At the beginning of 2025, the General Office of the State Council issued the Guideline on Comprehensively Deepening the Reform of Regulation of Drugs and Medical Devices to Promote the High-Quality Development of the Pharmaceutical Industry (《關於全面深化藥品醫療器械監管改革促進醫藥產業高質量發展的意見》), which clarified the actual features of drugs and medical devices as special commodities for curing patients, closely grasped the development characteristics of the pharmaceutical industry as a representative industry of new quality productivity, and focused on the innovation impetus, efficient supervision, approval process optimization and international cooperation in the medical device industry to promote its development. As the Chinese government continues to improve and deepen the whole-process reform of medical device supervision, and continues to promote volume-based centralized purchasing of medical consumables, the industry pattern will be further optimized, which enables enterprises to continuously improve product innovation and operation capabilities, and meet the diversified needs of the general public for high-quality medical devices.

Against the backdrop of continuing to promote innovation and high-quality development in the medical device industry under policies, as a leading medical device company in China, PW Medtech has always focused on improving the safety and effectiveness of its medical devices. Supported by technological innovation and following the philosophy of adhering to the medical healthcare and reverence for life, it will continue to enhance its core competitiveness to achieve sustainable development and create long-term value.

BUSINESS REVIEW

Being a leader in China's medical device industry, PW Medtech focuses on fast-growing and high-margin segments of China's medical device market and now has three business segments, namely Infusion Set Business, Blood Purification Business and Regenerative Medical Biomaterials Business. In 2024, the synergistic development of the three business segments further strengthened the Group's overall competitiveness. The Blood Purification Business recorded steady sales growth, the Infusion Set Business developed steadily, and the Regenerative Medical Biomaterials Business commenced commercial layout. For the year ended December 31, 2024, the Group recorded revenue of RMB768.9 million, representing an increase of 13.9% from 2023. It recorded gross profit of RMB419.4 million, increased by 10.1% from 2023. The gross profit margin for the year was 54.6%.

The Group attaches great importance to R&D by always focusing on improving its technological innovation R&D capabilities and actively promoting the R&D progress of its products. The Group has an experienced, strong and dedicated R&D team to continuously improve the functions of existing products and expand new product portfolio. For the Infusion Set Business segment, the Group obtained the registration certificate of pump infusion set product in 2024, which further enriched its product portfolio in the infusion healthcare field, and obtained the registration certificate of closed-system drug transfer device. This product is intended for the formulation and transport of dangerous drugs, such as antineoplastic drugs, enabling the Company to enter into new areas of oncology therapy. For the Blood Purification Business segment, the Group obtained registration certificates for hemodialysis equipment and continuous blood purification equipment in 2024, expanding its business from blood purification consumables to blood purification equipment, and is expected to submit the application for registration of the continuous hollow fiber hemodiafilter in the first half of 2025, which will further expanded its product portfolio in the field of blood purification consumables. For the Regenerative Medical Biomaterials Business segment, the Group obtained registration certificates for absorbable oral cavity repair membrane and breast tissue patch in 2024, and is expected to submit the application for registration of injectable tissue filler products for injection cosmetology in the first half of 2025. In addition, the type testing of the biological sponge products for tissue defect filling, repair and regeneration has been completed.

Chairman's Statement

In terms of sales and marketing, the Group continued to optimize its sales structure and marketing strategies, and made flexible adjustment to its tendering strategies to follow the medical industry policies. Regarding the operational management, the Company continued to implement the strategy of “low cost and high quality” to improve quality and increase efficiency.

In 2024, Sichuan Ruijian Medical, a subsidiary of the Group under the Blood Purification Business segment, has successfully completed the NEEQS Quotation. This progress represents another important milestone for Sichuan Ruijian Medical in the capital market, and it plans to be listed on the Beijing Stock Exchange, which will further release its development potential in the future.

In 2024, based on strong confidence in its own value and positive expectations for future development, the Group proactively implemented the share repurchase scheme. In the future, the Group will continuously strive to enhance the value of the Company and shareholder returns by flexibly using repurchases and other means in accordance with the actual development strategy, and share the development results with the shareholders. For details of the repurchase, please refer to the section headed “Management Discussion and Analysis — Strategic Share Repurchase Scheme” in this annual report.

DIVIDEND

In light of the solid financial performance of the Group for the year ended December 31, 2024 and in appreciation of the shareholders' continuing support, the Board has recommended the payment of a final dividend of HK5.3 cents per share for the year ended December 31, 2024 (for the year ended December 31, 2023: HK4.95 cents per share). Together with the interim dividend of HK4.5 cents per share already paid, total dividend for the full year of 2024 amounted to HK9.8 cents per share.

For determining the entitlement to the proposed final dividend for the year ended December 31, 2024, the register of members of the Company will be closed from July 7, 2025 to July 9, 2025, both days inclusive, and during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, 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 July 4, 2025.

Subject to the shareholders' approval at the 2025 AGM, the final dividend will be payable on July 25, 2025 to shareholders whose names appear on the register of members of the Company at the close of business on July 9, 2025. Such declaration of final dividend demonstrates the Company's commitment to delivering shareholder returns as well as its optimism about the Group's business prospects.

As at the date of this annual report, the Company held a total of 46,496,000 treasury shares (including treasury shares held or deposited with the Central Clearing and Settlement System). Such treasury shares will not receive the recommended dividend.

FUTURE PROSPECTS

Looking into 2025, the Group will proactively respond to market challenges, adapt to the development of the industry and seize opportunities. Meanwhile, the Group will continue to improve its product innovation and R&D capabilities, enrich its product portfolio, integrate its advantageous resources and improve its operating efficiency, and pay close attention to potential merger and acquisition opportunities in the market, so as to meet the market demand for high-quality products and services and help the Company maintain its leading position in the fierce market competition.

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt gratitude to all the respected shareholders and investors. PW Medtech will proactively seize the development opportunities of the industry, optimize business layout, improve operational efficiency, build core competitiveness, help the Group maintain steady growth in a complex and volatile market environment, and create greater value for shareholders and investors.

Chairman of the Board
Yue'e ZHANG

March 28, 2025

Profile of Directors and Senior Management

Below are the brief profiles of the current Directors and senior management of the Group.

DIRECTORS

The Board currently consists of six Directors, comprised of one executive Director, two non-executive Directors and three independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Position	Date of Appointment as Director
Executive Director		
Ms. Yue'e ZHANG (張月娥)	CEO, Chairman and executive Director	May 13, 2011
Non-executive Directors		
Mr. JIANG Liwei (姜黎威)	Non-executive Director	June 21, 2013
Mr. LIN Junshan (林君山)	Non-executive Director	June 21, 2013
Independent Non-executive Directors		
Mr. WANG Xiaogang (王小剛)	Independent non-executive Director	October 14, 2013
Mr. CHEN Geng (陳庚)	Independent non-executive Director	October 14, 2013
Ms. WANG Fengli (王鳳麗)	Independent non-executive Director	August 1, 2021

Executive Director

Ms. Yue'e ZHANG (張月娥), born in 1963, is the CEO, the Chairman, an executive Director and the chairman of the Nomination Committee. She is also a director of certain subsidiaries of the Company. In addition to her roles with the Group, Ms. ZHANG currently serves as the executive director of WP Medical Technologies, Inc. She is also one of the early founders of Lepu Medical. She was a director of CBPO from January 1, 2018 till January 6, 2021. Ms. ZHANG has worked in the medical device industry for nearly 30 years and has accumulated considerable experience in product design, R&D, and management and investment. Ms. ZHANG graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in materials science and engineering in July 1985, and later received two master's degrees relating to materials science and management from Xi'an University of Technology (西安理工大學) and Florida International University in July 1988 and April 1996, respectively. Ms. ZHANG is the daughter of Ms. Yufeng LIU (the ultimate controlling Shareholder who wholly owns Cross Mark Limited, the controlling Shareholder).

Non-executive Directors

Mr. JIANG Liwei (姜黎威), born in 1967, is a non-executive Director. Mr. JIANG has over 20 years of management experience in the medical device industry. Mr. JIANG currently serves as the Chairman and the CEO of Shenzhen Futurtec Medical Co., Ltd. (深圳市鑫君特智能醫療器械有限公司). He was the CEO and executive Director of the Group from February 2013 to March 2019. Prior to joining the Group in February 2013, Mr. JIANG was the head of China for Biomet China Co., Ltd. (邦美(上海)商貿有限公司) from 2008 to 2013 and the general manager of Trauson (China) Medical Instrument Co., Ltd. (創生醫療器械(中國)有限公司) from 2005 to 2008. He also held various management positions with Zimmer (Shanghai) Medical International Trading Co., Ltd. (捷邁(上海)醫療國際貿易有限公司) from 1999 to 2005 and Smith & Nephew Medical (Shanghai) Limited (施樂輝醫用產品國際貿易(上海)有限公司) from 1997 to 1999. Mr. JIANG was a resident doctor for a few years upon graduation from Shanghai Second Medical University (上海第二醫科大學) (currently known as School of Medicine, Shanghai Jiaotong University (上海交通大學醫學院)) with a bachelor's degree in clinical medicine in July 1991.

Mr. LIN Junshan (林君山), born in 1962, is a non-executive Director and a member of both the Audit Committee and the Remuneration Committee. Mr. LIN joined the Group in April 2010. Since January 2022, Mr. LIN has served as a director of Sichuan Ruijian Medical, a non-wholly owned subsidiary of the Company, whose shares have been quoted on the NEEQS since December 5, 2024 (stock code: 874652). Mr. LIN is also a director of certain other subsidiaries of the Company. In addition to his roles with the Group, Mr. LIN currently serves as the general manager of Beijing Guanshengyun Medical Technology Co., Ltd. (北京冠生雲醫療技術有限公司). Before joining the Group, Mr. LIN was a chief engineer and professoriate senior engineer of CSR Qingdao Sifang Co., Ltd. (南車青島四方機車車輛股份有限公司) (formerly known as CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.) from January 2007 to June 2013. After his graduation from Xi'an Jiaotong University (西安交通大學) with a doctorate degree in materials science and engineering in March 1990, Mr. LIN held various research positions in Shanghai Jiaotong University (上海交通大學), Osaka University (Japan) and Hitachi Mechanical Engineering Research Laboratory (now Hitachi Research Laboratory), Hitachi Ltd. from April 1990 to December 2006.

Independent Non-executive Directors

Mr. WANG Xiaogang (王小剛), born in 1973, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee. Mr. WANG is a founder and the chief executive director of BeijingHuiTong Education Technology Co., Ltd. Mr. WANG served as a managing director of China Aerospace Industry Investment Fund Management (Beijing) Co., Ltd. (航天產業投資基金管理(北京)有限公司) from February 2011 to August 2014. He was previously a partner at PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (普華永道諮詢(深圳)有限公司), where his work focused primarily on financial advisory on investment, merger and acquisition related transactions. He joined PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. in 1997. Mr. WANG obtained the qualification of Certified Public Accountant from Beijing Institute of Certified Public Accountants (北京註冊會計師協會) in June 1997 and the qualification to practice law in the PRC from the Ministry of Justice (司法部) in February 2007. Mr. WANG graduated from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) (now Hangzhou Dianzi University (杭州電子科技大學)) with a bachelor's degree in accounting in July 1995, and later received a master's degree in investment management from Sir John Cass Business School of The City University London in March 2004.

Mr. CHEN Geng (陳庚), born in 1970, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. CHEN served in the following positions in Peking University Resources (Holdings) Company Limited (name changed from "EC-Founder (Holdings) Company Limited" on October 25, 2013; a company listed on the Main Board of the Stock Exchange, stock code: 618): executive president from 2005 to 2006, executive director from 2006 to May 2013 and vice president from May 2013 to September 2019. He was also an executive director of Founder Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 418) from 2006 to 2011 and the vice president of New Auto Group (新奧特集團) from 2004 to 2005, and had worked in various investment firms in the PRC, garnering extensive experience in finance and management. Mr. CHEN has obtained the qualification of senior economist (高級經濟師) from China State Construction Engineering Corporation Limited (中國建築工程總公司) in October 2010. He graduated from Northwest University (西北大學) with a bachelor's degree in administrative management in July 1993 and later received an EMBA degree from Guanghua School of Management, Peking University (北京大學光華管理學院) in January 2005.

Ms. WANG Fengli (王鳳麗), born in 1963, is an independent non-executive Director, a member of both the Remuneration Committee and Nomination Committee of the Company. In addition to her roles with the Group, Ms. WANG has worked in Northwest University of Political Science and Law (西北政法大學) starting from July 1985 to May 2023, and successively served as an assistant professor and lecturer in the Teaching and Research Office of Party History of the Department of Theory (理論系黨史教研室), an associate professor and director of the Teaching and Research Office of International Trade of the Department of Economics and Trade (經貿系國際貿易教研室), a professor and director of the Department of International Trade of the School of Economics (經濟學院國際貿易系), and a person-in-charge of the Master's degree programme for International Commerce (國際商務專業). She was an independent director of Sunresin New Materials Co., Ltd, Xi'an. (西安藍曉科技新材料股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300487) from 2015 to April 2021. Ms. WANG obtained the Education Certificate of Independent Director qualification (獨立董事資格教育證書) of Shenzhen Stock Exchange in August 2015. Ms. WANG graduated from Sichuan University with a Bachelor's degree in History in July 1985, and later received a Master's degree in Law from Northwest University of Political Science and Law (西北政法大學) in March 2006.

SENIOR MANAGEMENT

Ms. Yue'e ZHANG (張月娥), born in 1963, is the CEO, Chairman and an executive Director. Her biographical details are set out above under the section headed "Profile of Directors and Senior Management — Executive Director" in this annual report.

Mr. HUA Wei (華煒), born in 1970, is the Company's vice president. Since January 2022, Mr. HUA has served as a director of Sichuan Ruijian Medical, a non-wholly owned subsidiary of the Company, whose shares have been quoted on the NEEQS since December 5, 2024 (stock code: 874652). Mr. HUA is also a director of certain other subsidiaries of the Company. Prior to joining the Group in April 2011 as Fert Technology's general manager, Mr. HUA had served as an executive assistant general manager and general manager of Zhongguancun Development Hi-Tech Incubator Co., Ltd (中關村興業(北京)高科技孵化器股份有限公司) from 2002 to 2011. Mr. HUA also held various managing positions with the branch companies of Xinjiang Securities Corporation Limited (新疆證券有限責任公司) from 1995 to 2001. Mr. HUA started his career with the Shihezi branch of the People's Bank of China (中國人民銀行石河子市分行) in 1991. Mr. HUA graduated from Changchun College of Finance (長春金融專科學校) with a diploma in finance in July 1991, and received an MBA degree from Renmin University of China (中國人民大學) in January 2009.

Mr. CHEN Yikun (陳怡琨), born in 1976, is the Company's vice president. Since June 2023, Mr. CHEN has served as a director of Sichuan Ruijian Medical, a non-wholly owned subsidiary of the Company, whose shares have been quoted on the NEEQS since December 5, 2024 (stock code: 874652). Mr. CHEN is also a director of another subsidiary of the Company. Prior to joining the Group in January 2014, Mr. CHEN was a senior manager at PricewaterhouseCoopers LLP and he has over 10 years of experience in assurance and advisory practice. From 2005 to 2006, Mr. CHEN served as a project manager in merger and acquisition in China Resources Petrochemicals (Group) Co., Ltd. (華潤石化(集團)有限公司) before he rejoined PricewaterhouseCoopers LLP in 2006. Before joining PricewaterhouseCoopers LLP in 2001, Mr. CHEN served as an accounting supervisor of Hutchison Whampoa Properties (Shenzhen) Co., Ltd. (和記黃埔地產(深圳)有限公司) from 1998 to 2001. Mr. CHEN is a fellow member of the Association of Chartered Certified Accountants, the Institute of Public Accountants, and the Governance Institute of Australia, a member of the Chinese Institute of Certified Public Accountants, and the Tax Institute of Australia. Mr. CHEN graduated from Shantou University (汕頭大學) with a bachelor's degree in economics in July 1998, received Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia in January 2018, and received Graduate Diploma of Applied Tax Law from the Tax Institute of Australia in December 2020.

Ms. TIAN Tian (田甜), born in 1982, is the Company's financial director. Prior to joining the Group in January 2020, Ms. TIAN served as the chief financial officer in Sinowel Wealth Management Group from 2017 to 2020. She served as the financial controller in Century Sage Scientific Holdings Limited from 2014 to 2017. She started her career with PricewaterhouseCoopers Zhong Tian LLP from 2006 and has over 8 years of experience in assurance and advisory practice. Ms. TIAN is a member of the Chinese Institute of Certified Public Accountants and a member of The Hong Kong Chartered Governance Institute, Chartered Secretary and Chartered Governance Professional. Ms. TIAN graduated from Wuhan University (武漢大學) with bachelor's degree in management in July 2004, and later received a master's degree in accounting from University of International Business and Economics (對外經濟貿易大學) in July 2006 and an MBA degree from University College London in March 2021, respectively.

Management Discussion and Analysis

MARKET AND BUSINESS REVIEW

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 the fast-growing and high-margin segments in China’s medical device industry and is committed to expanding new markets with room for growth to consolidate its leading position in the industry. In 2024, the Group intensified its development in its core businesses, sought progress while maintaining stability, improved its research and development (“R&D”) and innovation capabilities, enhanced its overall competitiveness, and consolidated its leading position in the industry.

Looking back at 2024, global economic growth has slowed down with a generally complex and volatile situation. The Chinese economy maintained overall stability with steady progress, with solid progress in high-quality development, while still facing many difficulties and challenges.

In a complex and volatile external environment, China’s medical device industry maintained its second position globally in scale, showing resilience of the industry. In 2024, the government continued to deepen industry reform and promote the high-quality development of the medical device industry. New momentum was injected into the development of the industry with promotion of anti-corruption campaign in medical industry horizontally and vertically, continuous implementation of bulk procurement of drugs and medical device as well as continuous introduction of medical device localization and innovation support policies by the government.

Against the background that the industry was undergoing in-depth reform, centralized procurement of medical consumables has been carried out on a normalized basis, which has not only squeezed the profit margins gained by medical device enterprises to some extent, but also posed challenges to such enterprises. However, centralized procurement has also enabled enterprises to accelerate the pace of innovation, sped up the process of domestic product substitution, enhanced industry concentration, and gradually reshaped the industry pattern. Together with enhancement of residents’ health awareness, faster pace of population ageing, technological progress of the industry and acceleration of development of overseas market for domestic medical devices, the medical device enterprises in China are facing new development opportunities.

For the year ended December 31, 2024, the Group’s revenue amounted to RMB768.9 million, representing a year-on-year increase of 13.9% compared with 2023, mainly due to the increase in sales of Blood Purification Business. At the same time, the Group recorded a gross profit of RMB419.4 million, representing a year-on-year increase of 10.1% compared with 2023, with an overall gross profit margin of 54.6% for the period. Profit attributable to owners of the Company amounted to RMB150.8 million, representing a year-on-year decrease of 1.6% compared with the previous year. In 2024, the Group maintained a stable financial position, with cash and cash equivalents of the Group amounting to RMB1,682.0 million and a healthy cash flow.

Looking ahead, driven by factors such as technological innovation and market demand, the Group will continue to reduce costs and increase efficiency, strictly control product quality, improve innovation capabilities, optimize marketing strategies, enhance industry competitiveness, seek development opportunities in the challenging industry environment, consolidate its leading position, and strive to return shareholders and investors with better performance.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

Focusing on the fast-growing and high-margin medical device market, PW Medtech actively promotes the development of the industry in a healthy and orderly manner, enhances product innovation and R&D capabilities, and expands production capacity and product portfolio. At present, the Group has established the business layout comprising three business segments, namely the Infusion Set Business, the Blood Purification Business and the Regenerative Medical Biomaterials Business.

In terms of the Infusion Set Business segment, the Group is a leading company in China in advanced infusion set business, continues to intensify its development in the Infusion Set Business while actively paying attention to the emerging hotspots of infusion products, focusing on the R&D, manufacturing and sale of products including infusion sets, cannula and insulin needles and pens, etc. Since transfusion treatment has become one of the most commonly adopted treatment alternatives in clinical treatment, and due to the huge population base in China, great and stable market demand for infusion consumables products has been seen in China. However, the sale price of enterprise suffers pressure arising from the bulk procurement to some extent. During the year ended December 31, 2024 (the “Reporting Period”), revenue from the Group’s Infusion Set Business amounted to RMB286.6 million, representing a stable increase of 2.0% over the corresponding period of last year, and accounting for approximately 37.3% of the consolidated operating revenue of the Group during the Reporting Period.

In terms of the Blood Purification Business segment, Sichuan Ruijian Medical operating the business recorded sound growth relying on continuous investment in R&D, resource integration and market expansion, making the Group a leading company in the field of made-in-China blood purification consumables with products including high flux hemodialyzer, low flux hemodialyzer, hemodiafilter, hemoperfutor and dialysis tube, and has expanded to blood purification equipment. In recent years, with the aggravating trend of an ageing population and the continuous advancement of medical insurance policies, the enhancement of patient health awareness, the improvement of patient affordability and the enhancement of the technical level of blood purification related products, the number of new patients for blood purification treatment in China has shown a steady growth trend, and the treatment penetration rate has continued to increase. In 2024, the implementation of bulk procurement of blood purification consumables was accelerated. In the joint bulk procurement of hemodialysis medical consumables carried out by the inter-provincial alliance of 23 regions including Henan province at the beginning of the year and the joint bulk procurement of hemodialysis medical consumables carried out by the Beijing-Tianjin-Hebei region “3+N” alliance in the middle of the year, the Company’s hemodialyzer, hemodiafilter, dialysis tube and arteriovenous fistula puncture needle were successfully selected among the purchasing list. Although product profit margins is reduced through the “exchange quantity for price” model, in the long run, bulk procurement will help to provide stable purchases for the industry, reduce marketing investment, focus on production and R&D, so as to improve product quality. Meanwhile, the Group’s rich product matrix of blood purification medical devices also promotes synergies between non-standard products and bid-winning products, further enhancing its profitability. In addition, the Group also proactively grasped the opportunities to develop overseas market, and continued to expand overseas markets. During the Reporting Period, the Blood Purification Business recorded steady growth with operating revenue of RMB482.3 million, representing an increase of 22.4% over the corresponding period of the previous year, and accounting for approximately 62.7% of the consolidated operating revenue of the Group during the Reporting Period.

In terms of the Regenerative Medical Biomaterials Business segment, driven by factors such as the national economic development, improvement in residents' quality of life, and increasing demands for medical beauty and wounds repairing, the medical biomaterials in China are in a state of rapid development with broad market space. The Group's Regenerative Medical Biomaterials Business segment focuses on the R&D and manufacturing of animal-derived regenerative medical biomaterials and human tissue repair alternative products, with a complete product pipeline and applications covering herniorrhaphy, oral repairing, breast reconstruction, burns and scalds, and injection cosmetology. The Group believes that the Regenerative Medical Biomaterials Business segment has extremely high growth potential and is one of the most valuable areas for investment in the medical device sector. In 2024, the Group has commenced the development of commercialization blueprint for the Regenerative Medical Biomaterials Business segment. In the future, the Group will make full use of its technological leadership and resource integration capabilities to further expedite the R&D of related products and promote more innovative products for marketing.

As of December 31, 2024, the Group had obtained 58 registration certificates for products, covering infusion set, cannula, hemodialyzer, hemoperfutor, hemodialysis equipment, biologic patch, breast tissue patch, absorbable oral cavity repair membrane, intestinal feeding device, insulin injection pen, insulin injection needle and blood transfusion set. In addition, the Group also has a number of product candidates in various stages of development.

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

Emphasis on Innovation and R&D

The Group has always believed that innovation and R&D is one of the key drivers for the long-term development of the medical device industry, and has always focused on improving the Group's technological innovation and R&D capabilities and proactively promoting the R&D progress of its products. At present, the Group has an experienced R&D team with strong academic and research background, which helps the Group develop innovative products and continuously enhance its R&D capabilities.

In 2024, the Group's product registration and R&D processes progressed smoothly:

- In the Infusion Set Business segment, the Group has been focusing on R&D and continuous improvement of the materials and performance of infusion set and cannula products to improve its product line in the infusion healthcare field, and has also been proactively exploring medical devices for diabetes mellitus and other healthcare fields. The Group obtained the registration certificate of pump infusion set product in March 2024, which further enriched its product portfolio in the infusion healthcare field, and obtained the registration certificate of closed-system drug transfer device in August 2024. This product is intended for the formulation and transport of dangerous drugs, such as antineoplastic drugs, enabling the Company to enter into new areas of oncology therapy.
- In the Blood Purification Business segment, the Group obtained a registration certificate for hemodialysis equipment in May 2024 and a registration certificate for continuous blood purification equipment in July 2024, expanding its business from blood purification consumables to blood purification equipment. In addition, the Group is expected to submit the application for registration of the continuous hollow fiber hemodiafilter in the first half of 2025, which will further expand its product portfolio in the field of blood purification consumables.
- In the Regenerative Medical Biomaterials Business segment, the Group obtained registration certificates for absorbable oral cavity repair membrane products and breast tissue patch products in July 2024. Absorbable oral cavity repair membrane products are used to guide bone regeneration in dental implant surgery, while breast tissue patch products are used to support and cover implants in breast reconstruction surgery and to repair soft breast tissue. In addition, the Group is expected to submit the application for registration of injectable tissue filler products for injection cosmetology in the first half of 2025, and the type testing of the biological sponge products for tissue defect filling, repair and regeneration has been completed.

Management Discussion and Analysis

As of December 31, 2024, the Group had obtained 58 product registration certificates and owned 173 patents for products, including 67 patents in relation to infusion set products, 83 patents for blood purification products and 23 patents for regenerative medical biomaterial products, and had applied for 57 new patents. The Group will continue to focus on product innovation and R&D. Following the R&D strategy of “produce and focus our R&D efforts for a leading next generation of products”, the Group will focus on R&D and innovation of medical devices, improve comprehensive competitive edge and consolidate our leading position in the industry.

Expansion of Distribution Networks

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

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

Progress on Spin-off of Sichuan Ruijian Medical

On December 5, 2024, the Group announced that Sichuan Ruijian Medical has successfully completed the National Equities Exchange and Quotations System (NEEQS) quotation. This progress represents another important milestone for Sichuan Ruijian Medical in the capital market.

During the Reporting Period, the Group has also commenced the subsequent listing of Sichuan Ruijian Medical on Beijing Stock Exchange by way of issuance of new A-shares of Sichuan Ruijian Medical. The Subsequent Listing will involve issue of new A-shares by Sichuan Ruijian Medical and the Offer Shares will only be issued in the PRC. It is intended that the number of Offer Shares to be issued under the Subsequent Listing will be (i) no more than 43,000,000 Offer Shares (assuming the over-allotment option of a maximum of 15% of the total number of the new A-shares of Sichuan Ruijian Medical issued that may be exercised under the Subsequent Listing (the “Over-allotment Option”) is not exercised) (representing approximately 14.0% of the total number of shares of Sichuan Ruijian Medical in issue as of the date of this annual report, and 12.3% of the total number of shares of Sichuan Ruijian Medical as enlarged by the Subsequent Listing); or (ii) no more than 49,450,000 Offer Shares (assuming the Over-Allotment Option is fully exercised) (representing approximately 16.1% of the total number of shares of Sichuan Ruijian Medical in issue as of the date of this annual report, and 13.9% of the total number of shares of Sichuan Ruijian Medical as enlarged by the Subsequent Listing). The actual number of the Offer Shares will be determined at a later stage subject to regulatory approvals by the Beijing Stock Exchange, the CSRC, discussions among the board of Sichuan Ruijian Medical, the lead underwriter of the Subsequent Listing and in particular, subject to market conditions. It is expected that Sichuan Ruijian Medical will remain as a subsidiary of the Company, and the results of the Sichuan Ruijian Medical Group will continue to be consolidated by the Company, upon completion of the Subsequent Listing subject to the Company and its auditor’s final assessment under the Hong Kong Financial Reporting Standards (the “HKFRS”). Sichuan Ruijian Medical submitted the application for the Subsequent Listing to the Beijing Stock Exchange on March 25, 2025, while the completion date of the Subsequent Listing will be subject to (i) the vetting process of the relevant listing application by Beijing Stock Exchange and CSRC, and (ii) market conditions. The Company will provide further update on the progress of the Subsequent Listing as and when appropriate.

Sichuan Ruijian Medical is principally engaged in the R&D, manufacturing and sales of medical device for blood purification, and its products are widely used in the hemodialysis treatment of patients with end-stage renal disease. The board (the “Board”) of directors (the “Directors”) of the Company is of the view that the spin-off of Sichuan Ruijian Medical (the “Spin-off”) for listing is in the interests of the Company and its shareholders as a whole, which will help Sichuan Ruijian Medical capture the huge opportunities in the blood purification medical device market in the PRC, further strengthen its business capability while promoting its reputation and profile in the PRC market and consolidate its leading position in the industry, and will also be conducive to the expansion of its financing channels and shareholder base in the future.

Strategic Share Repurchase Scheme

The Board has announced the repurchase of shares in the open market under the Repurchase Mandates from time to time during the 12-month period commencing June 2024 (the “Share Repurchase Scheme”). Under the Share Repurchase Scheme, the Board intends to utilize up to HK\$150 million (inclusive of tax and transaction costs) to repurchase shares in the market. The Board has designated a dedicated officer of the Company to implement the Share Repurchase Scheme under the Repurchase Mandates in light of the market conditions. During the Reporting Period, the Company cumulatively repurchased 78,897,000 shares of the Company as of December 31, 2024, accounting for 5.04% of the total share capital of the Company prior to the repurchase, with the highest transaction price of HK\$1.21 per share and the lowest transaction price of HK\$1.00 per share, and total transaction amount was approximately HK\$86.8 million. The repurchase not only enhanced the market liquidity of the Company’s shares, stabilized the share price, but also enhanced investor confidence and optimized the capital structure. For details of the share repurchases completed by the Company prior to the date of this annual report, including the number and price of the share repurchased, please refer to the section headed “Purchase, Sale or Redemption of the Company’s Listed Securities” in this annual report.

In the future, the Company will continue to pay close attention to the market dynamics, and flexibly adjust the share repurchase strategy according to the Company’s financial position and operating conditions, so as to protect the interests of shareholders and investors.

Financial Review

OVERVIEW

	For the year ended December 31,		
	2024 RMB'000	2023 RMB'000	Change
Revenue			
— Infusion Set Business	286,646	281,063	2.0%
— Blood Purification Business	482,257	394,021	22.4%
— Regenerative Medical Biomaterials Business	—	—	
Total Revenue	768,903	675,084	13.9%
Gross profit	419,448	380,897	10.1%
Gross profit margin	54.6%	56.4%	
Profit for the year	192,522	205,023	–6.1%
Profit attributable to owners of the Company	150,780	153,184	–1.6%
Adjusted profit for the year ⁽¹⁾	233,469	212,398	9.9%
Adjusted Profit attributable to owners of the Company ⁽¹⁾	172,355	157,372	9.5%

Note:

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

REVENUE

The total revenue of the Group increased by 13.9% from approximately RMB675.1 million in 2023 to approximately RMB768.9 million in 2024, mainly as a result of the increase in sales of the Blood Purification Business.

Revenue from the Blood Purification Business for the year ended December 31, 2024 amounted to approximately RMB482.3 million, representing an increase of 22.4% compared to approximately RMB394.0 million in 2023. The increase was mainly due to higher sales volumes driven by the increased market demand and the expansion of sales network for core products, in particular a rapid growth in export sales and sales of hemoperfutor products, partially offset by the minor decrease in unit selling price.

Revenue from the Infusion Set Business amounted to approximately RMB286.6 million for the year ended December 31, 2024, representing an increase of 2.0% from 2023. The increase was mainly due to the increase in sales of cannula and other infusion care products.

GROSS PROFIT

The Group's gross profit increased by 10.1% from approximately RMB380.9 million in 2023 to approximately RMB419.4 million in 2024. The gross profit margin decreased from 56.4% in 2023 to 54.6% in 2024, which was mainly due to the decrease in average unit selling price of blood purification products.

The gross profit margin of the Blood Purification Business decreased from 53.4% in 2023 to 51.0% in 2024, which was mainly due to the decrease in the ex-factory prices of hemodialysis products, which resulted from the decrease in terminal sales prices caused by the implementation of volume-based procurement in 2024.

The gross profit margin of the Infusion Set Business slightly decreased from 60.7% in 2023 to 60.5% in 2024, which was mainly due to the minor decrease in the unit selling price.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses increased by 10.5% from approximately RMB76.1 million in 2023 to approximately RMB84.1 million in 2024. This increase was attributable to the increase in selling and marketing expenses incurred by the Blood Purification Business, partially offset by the slight decrease in selling and marketing expenses incurred by the Infusion Set Business.

Selling and marketing expenses of the Blood Purification Business increased by 39.1% from approximately RMB25.4 million in 2023 to approximately RMB35.3 million in 2024, which was mainly due to (i) the share-based compensation expenses amounted to approximately RMB5.7 million for the Reporting Period resulting from implementation of the stock incentive plan by Sichuan Ruijian Medical in 2024, while no such expenses incurred for the year ended December 31, 2023; and (ii) increased staff remuneration.

Selling and marketing expenses of the Infusion Set Business slightly decreased from approximately RMB50.7 million in 2023 to approximately RMB48.8 million in 2024 due to the decrease in promotion expenses as a result of efficient cost control.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 31.7% from approximately RMB119.0 million in 2023 to approximately RMB156.8 million in 2024. The increase was mainly attributable to the increase in administrative expenses incurred by the Blood Purification Business and the Regenerative Medical Biomaterials Business.

The general and administrative expenses of the Blood Purification Business increased by 37.0% from approximately RMB50.8 million in 2023 to approximately RMB69.6 million in 2024. The increase was mainly due to (i) the share-based compensation expense amounted to approximately RMB12.0 million as a result of the implementation of the stock incentive plan by Sichuan Ruijian Medical in 2024, no such expenses incurred for the year ended December 31, 2023, and (ii) the increase of approximately RMB4.5 million in professional service fees related to the Spin-off.

The general and administrative expenses of the Blood Purification Business included amortization and depreciation of fair value increments on assets identified and recorded in the Group's consolidated financial statements during the business combination accounting process under HKFRSs, which amounted to approximately RMB21.5 million for the year ended December 31, 2024 (approximately RMB21.5 million for the year ended December 31, 2023).

Financial Review

The general and administrative expenses of the Regenerative Medical Biomaterials Business increased by 118.8% from approximately RMB13.3 million in 2023 to approximately RMB29.1 million in 2024. The increase was primarily attributed to (i) the amortisation of the fair value increments on intangible assets identified and recognised during the business combination accounting process under HKFRSs, which increased by approximately RMB13.5 million from approximately RMB7.4 million for the year ended December 31, 2023 to approximately RMB20.9 million for the year ended December 31, 2024; and (ii) increased personnel expenses and other overheads associated with business development.

During the accounting process for the acquisition of Beijing Ruijian Biological, the Group recognised certain fair value increments on intangible assets which totaling approximately RMB793.7 million. These intangible assets relate to certain products under development as at the date of acquisition. The amortisation was calculated using the straight-line method over a 20-year period, commencing upon the Group obtaining registration certificate for the products. For the year ended December 31, 2023, only part of the intangible assets were amortised, with a fixed monthly amortisation of approximately RMB0.6 million recorded during the year as not all the relevant registration certificates were obtained. Starting from August 1, 2024, amortisation has commenced for all of the foresaid intangible assets with fair value increments, as Beijing Ruijian Biological had obtained the registration certificates for the relevant products and started preparing for the production and sales of such products. Accordingly, the fixed monthly amortisation (before income tax) increased to approximately RMB3.3 million from August 2024 onward.

The general and administrative expenses of the group headquarters and the Infusion Set Business increased by 5.8% from approximately RMB54.9 million in 2023 to approximately RMB58.1 million in 2024. The increase was the net result of: (i) the decrease of reversal of impairment loss on trade receivables from approximately RMB4.4 million in 2023 to approximately RMB2.7 million in 2024; (ii) the reversal of impairment loss on loan receivables amounted to approximately RMB4.7 million was recorded in 2023, while no such reversal incurred in 2024, and (iii) the decrease in professional services fee.

R&D EXPENSES

R&D expenses increased by 7.3% from approximately RMB41.1 million in 2023 to approximately RMB44.1 million in 2024, which was mainly due to the increase in R&D expenses incurred by the Blood Purification Business and the Regenerative Medical Biomaterials Business.

R&D expenses of the Blood Purification Business increased from approximately RMB15.9 million in 2023 to approximately RMB18.2 million in 2024. The increase was mainly due to increase in staff cost, which included the share-based compensation expenses amounted to approximately RMB0.3 million as a result of the implementation of the stock incentive plan by Sichuan Ruijian Medical in 2024.

R&D expenses of the Regenerative Medical Biomaterials Business increased from approximately RMB11.8 million in 2023 to approximately RMB12.7 million in 2024. The increase was mainly due to the increase in the number of new R&D projects, which have not reached the stage that R&D expenditures can be capitalised.

R&D expenses of the Infusion Set Business was approximately RMB13.2 million in 2024, which remained stable compared to approximately RMB13.4 million in 2023.

OTHER GAINS – NET

Net other gains decreased by 5.5% from approximately RMB48.9 million in 2023 to approximately RMB46.2 million in 2024. The decrease was primarily the net result of (i) a one-off government subsidy for foreign investment enterprise amounted to RMB12.7 million granted to the Blood Purification Business in 2023, while no such subsidy was received in 2024; and (ii) the increase in other non-operating income.

Other gains include sample sales revenue from sales promotions generated by the Regenerative Medical Biomaterials Business for the year ended December 31, 2024.

FAIR VALUE LOSS ON INVESTMENT PROPERTIES

Fair value loss on investment properties increased from approximately RMB0.06 million in 2023 to approximately RMB1.2 million in 2024. The fair value loss was mainly due to the decline of the rental market.

OPERATING PROFIT

Operating profit decreased by 4.2% from approximately RMB187.4 million in 2023 to approximately RMB179.5 million in 2024, mainly due to: (i) the decrease of the operating profit generated by the Blood Purification Business from approximately RMB137.4 million in 2023 to approximately RMB129.4 million in 2024 due to the increase in gross profit offset by decrease in one-off government subsidies, increase in share-based compensation expenses and increase in professional service fee related to the Spin-off; (ii) the increase in the operating loss generated by the Regenerative Medical Biomaterials Business from approximately RMB25.0 million in 2023 to approximately RMB41.4 million in 2024 due to the increase in straight-line method amortisation expenses of the intangible assets related to the products obtaining licenses in 2024, while their respective sales are yet to be ramp up; and (iii) the increase in the operating profit generated by the group headquarters and the Infusion Set Business from RMB75.0 million in 2023 to approximately RMB91.5 million in 2024 due to the increase in gross profit and other gains.

FINANCE INCOME — NET

Net finance income increased by 15.1% from approximately RMB43.7 million in 2023 to approximately RMB50.3 million in 2024. The increase was mainly due to increase in the average balance of cash and bank balances and increase in interest rates of certain foreign currency deposits.

INCOME TAX EXPENSES

Income tax expenses increased by 43.0% from approximately RMB26.0 million in 2023 to approximately RMB37.2 million in 2024, which was mainly due to the profit decrease of certain subsidiaries subject to lower applicable tax rates, offset by the profit increase of certain entities subject to higher tax rates, which resulted in an increase in the overall effective tax rate of the Group for the period.

PROFIT FOR THE 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 RMB192.5 million and RMB150.8 million in 2024, representing a decrease of 6.1% and 1.6% from RMB205.0 million and RMB153.2 million in 2023, respectively. The decrease was mainly due to decrease of operating profit as discussed above, and increase of income tax expenses, partially offset by the increase of finance income.

NON-HKFRS MEASURE – ADJUSTED NET PROFIT AND ADJUSTED NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

Adjusted net profit and adjusted net profit attributable to owners of the Company is defined as profit for the year or profit attributable to owners of the Company, as adjusted by adding back (i) share-based compensation expenses of the Blood Purification Business; (ii) professional services fee relating to the Spin-off; (iii) amortization of fair value increments on intangible assets recognised in the acquisition of Beijing Ruijian Biological; and (iv) income tax effects of non-HKFRS adjustments.

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

The following table sets forth the reconciliations of our non-HKFRS financial measures for the year ended December 31, 2024 and 2023 to the nearest measure prepared in accordance with HKFRS.

	For the year ended December 31,		
	2024 RMB'000	2023 RMB'000	Change
Profit for the Year under HKFRS	192,522	205,023	-6.1%
Add:			
Share-based compensation expenses of the Blood Purification Business ⁽¹⁾	18,599	—	
Professional services fees related to the Spin-off	5,876	1,340	
Amortization of fair value increment on intangible assets recognised in the acquisition of Beijing Ruijian Biological ⁽²⁾	20,856	7,408	
Income tax effects of non-HKFRS adjustments above	(4,384)	(1,373)	
Adjusted net profit (non-HKFRS)	233,469	212,398	9.9%
Profit attributable to owners of the Company under HKFRS	150,780	153,184	-1.6%
Add:			
Share-based compensation expenses of the Blood Purification Business ⁽¹⁾	9,018	—	
Professional services fees related to the Spin-off	2,849	650	
Amortization of fair value increment on intangible assets recognised in the acquisition of Beijing Ruijian Biological ⁽²⁾	12,138	4,312	
Income tax effects of non-HKFRS adjustments above	(2,430)	(774)	
Adjusted net profit attributable to owners of the Company (non-HKFRS)	172,355	157,372	9.5%

Notes:

- (1) The item represents the expenses related to share-based payments granted to employees of the Blood Purification Business. On April 18, 2024, the stock incentive plan was approved at the general meeting of Sichuan Ruijian Medical. Under the stock incentive plan, a total of 6,332,340 shares of Sichuan Ruijian Medical (approximately 2.06% shareholding percentage of Sichuan Ruijian Medical) held by its shareholder and employee shareholding platform Ningbo Zhengyao Investment Management Center (Limited Partnership) (寧波正壹投資管理中心(有限合夥)) ("Ningbo Zhengyao") will be granted to eligible employees of Sichuan Ruijian Medical. The exercise price per share granted is RMB1.783. All realised gains and corresponding yields of Ningbo Zhengyao will be distributed to the grantees.

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

For the year ended December 31, 2024, approximately RMB12.0 million, RMB5.7 million, RMB0.3 million and RMB0.5 million of share-based compensation expense was recognized as general and administrative expense, selling and marketing expense, R&D expense, and manufacturing overheads, respectively.

- (2) The item represents the amortisation of fair value increments on intangible assets identified and recognised through the business combination of Beijing Ruijian Biological. Please refer to the section headed General and Administrative Expenses for details of this item.

TRADE AND OTHER RECEIVABLES

The Group's trade receivables primarily comprised the outstanding payment from credit sales. As of December 31, 2024, the trade and other receivables of the Group was approximately RMB166.8 million, representing a decrease of approximately RMB13.6 million as compared to approximately RMB180.4 million as of December 31, 2023, which was mainly due to the decrease in trade and other receivables of the Blood Purification Business and the Infusion Set Business.

Trade and other receivables of the Blood Purification Business decreased from approximately RMB48.6 million as of December 31, 2023 to approximately RMB35.4 million as of December 31, 2024, mainly due to the improvement in the collection of overseas trade receivables.

Trade and other receivables of the group headquarters and the Infusion Set Business decreased from approximately RMB130.9 million as of December 31, 2023 to approximately RMB129.9 million as of December 31, 2024, mainly due to the improvement in the collection of trade receivables.

The Group has selected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and established a provision matrix that was based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The details could be found in Notes 23 and 41(b) to the consolidated financial statements for the year ended December 31, 2024.

The Group reviews the financial performance of the customers with long aging receivables periodically and revises the credit terms granted to the customers based on credit risk analysis. Besides review of account receivables, the management may also use letter of collection and lawyer's letter to collect the receivables. The Group would also negotiate with customers to explore the use of debt agreement if there are higher risk of recoverability. In some circumstances, the internal legal department of the Group would be involved in collection of receivables to explore the availability of legal actions, and to issue formal communication to the customer before escalating the actions. Out of the trade receivables aged over 6 months that amounted to approximately RMB29.8 million at December 31, 2023, a total of approximately RMB23.7 million was subsequently received up to December 31, 2024.

As at December 31, 2024, the Group had made loss allowances of approximately RMB19.1 million (as at December 31, 2023: RMB21.7 million) on the trade receivables with a gross amount of approximately RMB92.0 million (as at December 31, 2023: RMB96.2 million).

INVENTORIES

Inventories decreased by 11.9% from approximately RMB136.6 million as at December 31, 2023 to approximately RMB120.3 million as at December 31, 2024, which was mainly due to the decrease in inventories of the Blood Purification Business, partially offset by the slight increase in inventories of the Regenerative Medical Biomaterials Business due to the preparation for the upcoming commercial sales.

Inventories of the Blood Purification Business decreased from approximately RMB98.9 million as at December 31, 2023 to approximately RMB79.4 million as at December 31, 2024, which was mainly due to (i) a total of approximately RMB10.2 million spare parts were used for construction of hemodialyzer production line; and (ii) the faster inventory turnover to meet increased sales orders.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly include buildings and facilities, machinery and equipment and construction in progress. As at December 31, 2024, the property, plant and equipment of the Group amounted to approximately RMB891.7 million, representing a decrease of approximately RMB15.2 million as compared to approximately RMB906.9 million as at December 31, 2023. The decrease was mainly the net result of purchase of new production facilities, construction in production line and the depreciation.

INVESTMENT PROPERTIES

Investment properties, mainly comprising factories and offices which are held by the Group for long-term rental yields. As at December 31, 2024, the investment properties of the Group amounted to approximately RMB262.9 million, representing a decrease by approximately RMB2.0 million as compared to approximately RMB264.9 million as at December 31, 2023. The minor decrease was mainly due to the disposal of certain redundant investment property during the year and the fair value loss on the remaining investment properties. The detailed information regarding the investment properties could be found in Note 16 to the consolidated financial statements.

INTANGIBLE ASSETS AND GOODWILL

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

As at December 31, 2024, the net value of the Group's intangible assets and goodwill was approximately RMB1,632.4 million, representing a decrease of RMB28.7 million as compared to approximately RMB1,661.1 million as of December 31, 2023. The decrease was primarily the net result of amortisation of the intangible assets which amounted to approximately RMB44.3 million (2023: RMB30.1 million) and addition of capitalised development costs which amounted to approximately RMB15.6 million (2023: RMB34.6 million) during the year ended December 31, 2024.

LOAN RECEIVABLES

As at December 31, 2024, the Company's gross amount of loan receivable was RMB300.0 million which includes a loan granted to an independent third party in April 2023 as disclosed in the announcement of the Company dated April 20, 2023 and a loan granted to an independent third party in September 2023 and extended in May 2024 as disclosed in the announcement of the Company dated September 5, 2023 and May 31, 2024, respectively. The detailed information regarding the loan receivable, including the collaterals and key terms, could be found in Note 21 to the consolidated financial statements for the year ended December 31, 2024.

NON-CURRENT FINANCIAL ASSETS

As at December 31, 2024, the Group's non-current financial assets was approximately RMB46.5 million (December 31, 2023: RMB61.3 million). The decrease was mainly due to the decrease in the fair value of the Group's investment in the H shares of Lepu Biopharma Co., Ltd. as a result of decline in its share price. The detailed information regarding the non-current financial assets could be found in Note 20 to the consolidated financial statements for the year ended December 31, 2024.

FINANCIAL RESOURCES AND LIQUIDITY

As at December 31, 2024, the Group's cash and bank balances amounted to approximately RMB1,682.0 million (December 31, 2023: RMB1,589.7 million). As at December 31, 2024, the Group's bank borrowing balance was RMB5.8 million (December 31, 2023: nil).

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

PLEDGE OF ASSETS

During the year ended December 31, 2024, the Group did not enter into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. The Group did not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging, R&D or other services with it.

COMMITMENTS

As of December 31, 2024, the Group had a total capital commitment of approximately RMB25.6 million (December 31, 2023: RMB36.1 million), comprising mainly contracted capital expenditure for acquisition of property, plant and equipment.

CAPITAL EXPENDITURE

During the year ended December 31, 2024, the Group incurred capital expenditure of approximately RMB46.3 million (2023: RMB39.5 million) on the construction in progress including facilities and production lines and expenditure of RMB25.8 million (2023: RMB42.4 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 non-current bank borrowing as shown in the condensed consolidated statement of financial position. Total capital is calculated as “total equity” as shown in the condensed consolidated statement of financial position plus total borrowing.

	As at December 31,	
	2024 RMB'000	2023 RMB'000
Total borrowing	5,800	—
Total equity	4,803,368	4,824,985
Total capital	4,809,168	4,824,985
Gearing ratio	0.12%	0.00%

FOREIGN EXCHANGE RISK

The Group mainly operates its business in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Hong Kong dollar. Foreign exchange risk mainly arises from foreign currencies held by certain overseas subsidiaries. The Group did not hedge against any fluctuation in foreign currency during the year ended December 31, 2024. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

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

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

As at December 31, 2024, it was estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would decrease or increase the Group's profit for the year by approximately RMB49,300 (for the year ended December 31, 2023: RMB0).

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

CONTINGENT LIABILITIES

As at December 31, 2024, 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 state-owned enterprises or major customers with good repayment history. There was no material default of the balances in the past. Details of the Group's trade and other receivables credit management are also discussed above under the heading of "Trade and Other Receivables".

SIGNIFICANT INVESTMENTS

As at December 31, 2024, the Group did not hold significant investments with a value of 5% or more of the Company's total assets. As at the date of this annual report, the Group does not have any plan for material investments or purchase of capital assets.

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

The Board has committed to maintaining good corporate governance standards. The Board believes that good corporate governance standards are essential in providing framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Board considers that during the year ended December 31, 2024, the Company has applied the principles and complied with the code provisions set out in the CG Code, except for code provision C.2.1. Key corporate governance principles and practices of the Company as well as the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decisions and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and Shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as advice and services of the senior management and the Company Secretary, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The senior management is delegated the authority and responsibilities with clear directions by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The composition of the Board as at the date of this report is as follows:

Executive Director:

Ms. Yue'e ZHANG *(Chairman of the Board, CEO and Chairman of the Nomination Committee)*

Non-executive Directors:

Mr. JIANG Liwei

Mr. LIN Junshan *(Member of both the Audit Committee and the Remuneration Committee)*

Independent non-executive Directors:

Mr. WANG Xiaogang *(Chairman of the Audit Committee and Member of the Nomination Committee)*

Mr. CHEN Geng *(Chairman of the Remuneration Committee and Member of the Audit Committee)*

Ms. WANG Fengli *(Member of both the Remuneration Committee and the Nomination Committee)*

Throughout the year ended December 31, 2024, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with one of them, being Mr. WANG Xiaogang, possessing appropriate professional qualifications and accounting and related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. The executive Director is responsible for the businesses and functional divisions of the Group. The non-executive Directors scrutinize the performance of management in achieving agreed corporate goals and objectives and monitor the Group's performance reporting. The independent non-executive Directors bring different businesses and financial expertise, experiences and independent judgement to the Board and they constitute the majority of each of the Board committees of the Company. Through participation in Board meetings and taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

To the best knowledge of the Directors, the Directors and senior management have no financial, business, family or other material/relevant relationships with one another. The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent with reference to the independence guidelines set out in the Listing Rules.

The Company has adopted the Board Independence Evaluation Mechanism (the "Mechanism") to ensure independent views and input are available to the Board, with the following key features: (i) the Nomination Committee is established with clear terms of reference to identify suitable candidates, including independent non-executive Directors, for appointment as Directors; (ii) the Nomination Committee will assess annually the independence of all independent non-executive Directors; and (iii) the Directors are entitled to seek, at the Group's expense, independent professional advice reasonably necessary for discharging their duties as Directors. The Board has reviewed the implementation and effectiveness of the Mechanism and considered it to be effective for the year ended December 31, 2024.

A3. Chairman and Chief Executive

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Ms. Yue'e ZHANG currently performs both the roles of the Chairman of the Board and the CEO. 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.

A4. Appointment and Re-election of Directors

All Directors are appointed for a specific term not more than 3 years, subject to renewal upon expiry of the existing term. The Company has issued letters of appointment (i) to Ms. Yue'e ZHANG, the executive Director for a term of 3 years from February 3, 2021, and renewed for a term from February 3, 2024 to March 30, 2025; (ii) to Mr. JIANG Liwei, a non-executive Director, for a term of 3 years from March 31, 2022; (iii) to each of Mr. LIN Junshan, a non-executive Director, and Mr. WANG Xiaogang and Mr. CHEN Geng, independent non-executive Directors, for a term of three years from October 15, 2022; and (iv) to Ms. WANG Fengli, an independent non-executive Director, for a term of 3 years from August 1, 2021, and renewed for a term from August 1, 2024 to March 30, 2025.

The letters of appointment of Ms. Yue'e ZHANG, the executive Director, Mr. JIANG Liwei, a non-executive Director and Ms. WANG Fengli, an independent non-executive Director have been renewed for a term of 3 years from March 31, 2025.

According to the Articles, one-third of the Directors for the time being (if their number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, any new Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next AGM following his/her appointment. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant AGM.

At the forthcoming 2025 AGM, Mr. JIANG Liwei and Mr. LIN Junshan shall retire by rotation pursuant to the Articles provisions as stated in the foregoing paragraph. Both of the above retiring Directors, being eligible, will offer themselves for re-election at the 2025 AGM. The Board and the Nomination Committee recommended their re-election. The Company's circular, published on the websites of the Company and the Stock Exchange together with this annual report, contains detailed information of the above Directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

Each newly appointed Director will receive formal induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Trainings and professional development for Directors are arranged whenever necessary. In addition, reading materials on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their study and reference.

The Directors are required to submit to the Company details of the trainings they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the year ended December 31, 2024, the Directors have complied with the code provision C.1.4 of the CG Code on participation in continuous professional training as follows:

	Type of trainings/education	
	Attending trainings on regulatory development, directors' duties or other relevant topics	Reading regulatory updates or corporate governance related materials or materials relevant to directors' duties
Ms. Yue'e ZHANG	✓	✓
Mr. JIANG Liwei	✓	✓
Mr. LIN Junshan	✓	✓
Mr. WANG Xiaogang	✓	✓
Mr. CHEN Geng	✓	✓
Ms. WANG Fengli	✓	✓

A6. Directors' Attendance Records at Meetings

The Board meets to review the Company's key activities. Board meetings are held at least four times a year at approximately quarterly interval to discuss and review the objectives, strategies and policies of the Company, including any significant acquisitions and disposals, annual budget, financial performance and to approve the release of the financial results. Ad-hoc Board meetings will be held, as and when necessary, to address significant transactions or issues that may arise in between regular meetings.

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended December 31, 2024 are set out below:

Name of Director	Attendance/Number of Meetings					Extraordinary General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	
Executive Director:						
Ms. Yue'e ZHANG	6/6	—	—	1/1	1/1	1/1
Non-executive Directors:						
Mr. LIN Junshan	6/6	3/3	1/1	—	1/1	1/1
Mr. JIANG Liwei	6/6	—	—	—	1/1	1/1
Independent non-executive Directors:						
Mr. WANG Xiaogang	6/6	3/3	—	1/1	1/1	1/1
Mr. CHEN Geng	6/6	3/3	1/1	—	1/1	1/1
Ms. WANG Fengli	6/6	—	1/1	1/1	1/1	1/1

In addition, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended December 31, 2024.

A7. Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of their office or employment, are likely to possess inside information of the Company and/or securities. Specific enquiry has been made of all the Directors and they have confirmed their compliance with the Model Code throughout the year ended December 31, 2024. In addition, no incident of non-compliance of the Model Code by the senior management of the Group was noted during the year ended December 31, 2024.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and senior management in advance.

A8. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision A.2.1 of the CG Code.

During the year under review, the Board has performed corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices; (ii) reviewed and monitored the training and continuous professional development of Directors and senior management; (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (iv) reviewed and monitored the compliance of the Model Code; and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

B. BOARD COMMITTEES

The Company has three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website. All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Remuneration Committee

The Remuneration Committee currently comprises a total of three members, being one non-executive Director, namely Mr. LIN Junshan, and two independent non-executive Directors, namely Mr. CHEN Geng (chairman of the Remuneration Committee) and Ms. WANG Fengli. Throughout the year ended December 31, 2024, the Company has met the Listing Rules requirements of having the majority of the Remuneration Committee members being independent non-executive directors as well as having the committee chaired by an independent non-executive director.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and on the remuneration packages of Directors and members of senior management (i.e. the model described in the code provision E.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individuals and the Company as well as market practice and conditions. The Remuneration Committee is also responsible for reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended December 31, 2024, the Remuneration Committee has reviewed the existing remuneration policy and structure of the Company, the remuneration packages of Directors and senior management, and proposed remuneration package of the proposed independent non-executive Director and made relevant recommendations to the Board.

The attendance records of each Committee member in the Committee meeting are set out in section A6 above.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended December 31, 2024 is set out below:

Remuneration band (HK\$)	Number of individuals
Nil to HK\$1,000,000	1
HK\$1,000,001 — HK\$1,500,000	3

The amount of remuneration includes the amortization of the fair value of share-based compensation, wages, salaries, bonus, contribution to social securities and housing fund. Details of the remuneration of each Director for the year ended December 31, 2024 are set out in Note 10 to the consolidated financial statements contained in this annual report.

B2. Nomination Committee

The Nomination Committee currently comprises a total of three members, being one executive Director and the Chairman of the Board, namely Ms. Yue'e ZHANG (chairman of the Nomination Committee), and two independent non-executive Directors, namely Ms. WANG Fengli and Mr. WANG Xiaogang. Throughout the year ended December 31, 2024, the Company has met the Listing Rules requirements of having a majority of the Nomination Committee members being independent non-executive directors and having the Nomination Committee chaired by the chairman of the Board.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company also recognizes and embraces the benefit of having a diverse Board to enhance the quality of its performance. To comply with Rule 13.92 of the Listing Rules and the CG Code, a Board diversity policy was adopted by the Company, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board. As of the date of this annual report, the Board consisted of six Directors, including two female Directors and professionals in law and accounting, and the Board has achieved diversity in its membership in terms of gender, professional background and skill, etc. As of the date of this annual report, 2 of 4 of the Company's senior management are female. As of December 31, 2024, the Group had a total of 882 female staff out of 1,415 employees, representing 62.3% of the employees of the Group. The Group will continue to take opportunities to increase the proportion of female board members and workforce over time as and when suitable candidates are identified. For further details, please refer to the Environmental, Social and Governance Report of the Company.

The Board and the Nomination Committee have reviewed the implementation and effectiveness of the board diversity policy and considered it to be effective for the year ended December 31, 2024.

The Company has adopted the director nomination policy. Such policy, devising the criteria and process of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing better Board effectiveness and diversity as well as in compliance with the applicable rules and regulations.

During the year ended December 31, 2024, the Nomination Committee has performed the following major works:

- Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;
- Recommendation of the re-appointment of the retiring Directors standing for re-election at the AGM held on June 14, 2024 (the "2024 AGM"); and
- Assessment of the independence of all the independent non-executive Directors.

In assessing the Board composition, the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records of each Nomination Committee member in the Nomination Committee meeting are set out in section A6 above.

B3. Audit Committee

The Company has met the Listing Rules requirements regarding the composition of the Audit Committee throughout the year ended December 31, 2024. The Audit Committee currently comprises a total of three members, being one non-executive Director, namely Mr. LIN Junshan, and two independent non-executive Directors, namely Mr. WANG Xiaogang and Mr. CHEN Geng. The chairman of the Audit Committee is Mr. WANG Xiaogang, who possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making relevant recommendations to the Board; and reviewing the Company's financial reporting system, risk management and internal control systems and the effectiveness of the internal audit function.

During the year ended December 31, 2024, the Audit Committee has performed the following major works:

- Review and discussion of the annual financial statements, results announcement and report for the year ended December 31, 2023, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's financial reporting system, internal control and risk management review and processes; and the major internal audit issues for the year ended December 31, 2023 and the existing internal audit function of the Company;
- Consideration and recommendation of the re-appointment of BDO Limited as the external auditor of the Company at the 2024 AGM;
- Review and discussion of the interim financial statements, results announcement and report for the six months ended June 30, 2024 and the related accounting principles and practices adopted by the Group;
- Review of continuing connected transactions;
- Discussion of the nature, plan and scope of the Group's audit and the audit fee for the year ended December 31, 2024; and
- Review of the arrangements for employees of the Group to raise concerns about possible improprieties in the Group's financial reporting, internal control or other matters and the investigation process on the reported cases.

The external auditor has attended all of the above meetings and discussed with the Audit Committee members on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

The attendance records of each Audit Committee member in the Audit Committee meetings are set out in section A6 above.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Group for the year ended December 31, 2024.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports and other financial disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Board reviews the effectiveness of the risk management and internal control systems as well as the internal audit function of the Company on an annual basis through the Audit Committee.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including production, procurement, marketing, finance, human resources, and information technology. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessments regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assesses the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2024.

The Company's internal auditor is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. During the year under review, the internal auditor examined key issues in relation to the accounting practices and all material controls and provided its findings to the Audit Committee.

During the year ended December 31, 2024, the Board, as supported by the Audit Committee as well as the report from the management and the internal audit findings, reviewed half-annually the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

E. COMPANY SECRETARY

Ms. SO Ka Man ("Ms. SO") of Tricor Services Limited, an external service provider, acts as the Company Secretary and is responsible for providing advice to the Board on corporate governance matters. Mr. CHEN Yikun, a vice president of the Company, is Ms. SO's primary contact person at the Company.

Ms. SO has confirmed that she has taken no less than 15 hours of relevant professional training during the year ended December 31, 2024.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the Company's financial statements for the year ended December 31, 2024 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to BDO Limited in respect of audit services and non-audit services for the year ended December 31, 2024 are analyzed below. The non-audit services conducted by the external auditor mainly include interim results review, due diligence services and other services.

Type of services provided by the external auditor	Fees paid/ payable (RMB'000)
Audit services	2,040,000
Non-audit services	1,190,000
TOTAL:	3,230,000

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has established the shareholders' communication policy and believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparent and timely disclosure of corporate information, which enables Shareholders and investors to make informed investment decision.

The Company maintains a website at www.pwmedtech.com as a communication platform with Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors may send their written enquiries or requests to the Company via the following contact details:

Address: Room 1928, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Email: ir@pwmedtech.com

Fax number: (86) 10 80910699

Enquiries and requests will be dealt with by the Company in an informative and timely manner.

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. It is the Company's general practice that the chairman of the Board as well as chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, their duly appointed delegates will be available to answer questions at the AGM and other general meetings of the Company. In addition, the Company will invite representatives of the auditor to attend its AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence, if any. The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective for the year ended December 31, 2024 with the above measures in place.

H. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.pwmedtech.com) and the Stock Exchange after each Shareholders' meeting. The Articles allow a Shareholder entitled to attend and vote at a general meeting to appoint a proxy, who need not be a Shareholder, to attend the meeting and vote thereat on his/her/its behalf.

Pursuant to the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Act or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

During the year under review, the Company has not made any changes to the Articles. An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange.

Shareholders may refer to the Articles for further details of the rights of Shareholders.

Environmental, Social and Governance Report

STATEMENT OF THE BOARD

The board of directors of the Group (the “Board”) is the highest responsible and decision-making institution for environmental, social and governance (“ESG”) management system, which takes ultimate responsibility for the Group’s ESG strategies and information disclosure, and monitors all ESG-related and climate-related matters that may affect the Group’s business operation or development. The ESG Committee, which has been established under the Board, is responsible for identifying and evaluating ESG risks and climate-related risks related to the Group, making sure that the Group has appropriate and effective ESG and climate risk management system and internal control system in place, and conducting regular report and review to the Board on the progress towards relevant ESG objectives. Please refer to “The Group’s ESG Philosophy, Governance Structure and Risk Management” for details.

The Group attaches great importance to suggestions and opinions of each stakeholder¹. In this regard, it ensures that sufficient open channels are provided for communication with key stakeholders, in order to discuss and determine material ESG issues of the Group, identify and assess ESG and climate risks it may face, and constantly improve ESG- and climate-related strategies and initiatives. The Board has reviewed the ESG materiality issues for the Year and approved adjustment proposals reflecting the materiality of each ESG issue to ensure the timeliness and rationality of the materiality issue matrix. Please refer to “Communication with the Stakeholders” for details.

The Group has developed ESG goals in respect of important indicators such as carbon emissions, pollutant emissions, energy consumption and water resources management, and at the same time, it has established a sound management system. The Board conducts an annual review and examination of the progress of the goals, and makes timely adjustments or improvements to any necessary systems and measures, in order to make sure that the Group will make sustained progress in realizing ESG goals. Please refer to “Management of Emissions and Resources” for details.

The Board and all Directors warrant that there are no false representations, misleading statements or material omissions contained in this report and accept responsibility for the authenticity, accuracy and completeness of the information contained herein. This report discloses the details of progress and effectiveness of ESG work of the Group in 2024, and the Group undertakes to use its best endeavors to ensure the accuracy and reliability of all information presented in the Report, and to manage such information by establishing internal monitoring and formal review procedures. The Report was confirmed and approved by the Board on March 28, 2025.

ABOUT THIS REPORT

This is the ninth Environmental, Social and Governance Report (the “Report”) issued by the Group, which will continue to report the Group’s latest progress in ESG aspects in 2024 to the stakeholders through the Group’s perspective to facilitate their further understanding of the performance of the Group in terms of ESG issues. This Report is prepared in Chinese and English and has been uploaded to the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Group at www.pwmedtech.com. In the event of any discrepancy between the English and Chinese versions of the Report, the Chinese version shall prevail.

Scope of Report

The scope of the Report continues to cover the Beijing and Xuzhou-based plants related to the “Infusion Set Business” of the Group (referred to as the “Fert Plant”), a company based in Chengdu and Guangzhou related to the “Blood Purification Business” namely Sichuan Ruijian Medical Technology Co. Ltd. (“Ruijian Medical”), and a company based in Beijing related to the “Regenerative Medical Biomaterials Business” namely Beijing Ruijian High-Tech Biological Technology Co., Ltd. (“Ruijian Biological”). This Report discloses the ESG performance of the Group from January 1, 2024 to December 31, 2024 (the “Year”).

¹ “Stakeholders”, also referred to as “equity holders”, are the groups and individuals having great influences on or being affected by the company’s businesses, including the Board of Directors, management, executives and general staff within the organization; and external shareholders, business partners, customers, governmental and regulatory institutions, banks and investors and general public.

Reporting Standards

The Report is prepared in accordance with the four reporting principles, namely materiality, quantitative, balance and consistency, specified in the Environmental, Social and Governance Reporting Guidance (the “Guidance”) as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reporting Principles	Definition	Response
Materiality	Environmental, social and governance issues having great influences on the Group and various stakeholders should be highlighted.	The Group communicated with the stakeholders through various means during the Year and the relevant disclosure has been highlighted in the Report. Please refer to the section headed “Communication with the Stakeholders” for details.
Quantitative	Key performance data needs to be measurable and compared where appropriate.	Key Performance Indicators (“KPIs”) of the Group derived from relevant departments’ statistics. To ensure the accuracy of the environmental KPIs, the Group has entrusted a professional consultant to carry out carbon assessment by referring to different international standards. The Group has included relevant explanations and the standards, methodologies, assumptions and/or calculation tools adopted for quantitative data in the Report where appropriate.
Balance	Issuers should objectively and truthfully report their environmental, social and governance performance during the Year.	During the preparation of the Report, the Group not only focused on elaborating the ESG governance results, but also described the difficulties encountered and potential solutions in such regard.
Consistency	Disclosure in the Report should adopt consistent methodologies for disclosure and statistics to enable meaningful comparisons of environmental, social and governance KPIs, and thus, obtain more knowledge on the corporate performance.	The Group adopted the same methodologies for statistics with those of last year and compared the ESG indicator data for the Year with that of last year, which are set out in the relevant sections of the Report. Please refer to the section headed “Overview of Key Performance Indicators” for details.

Feedbacks

The Group attaches great importance to communication with stakeholders and welcomes the opinions or recommendations from the stakeholders on the Group’s ESG performance and initiatives. If you wish to make any comments or suggestions, please contact the Group by the following channels:

Address: Room 1928, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
E-mail: ir@pwmedtech.com

MESSAGE FROM DIRECTORS

In recent years, the concept of ESG has been developing rapidly around the world and has become a core issue of concern for enterprises, investors and regulators. In 2024, the Stock Exchange issued a consultation conclusion on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework (《優化環境、社會及管治框架下的氣候相關信息披露》), and at the same time amended the Environmental, Social and Governance Reporting Guidance into the Environmental, Social and Governance Reporting Code of a legal nature, which further enhanced the disclosure requirements on ESG-related matters. Keeping up with the needs of the times, the Group has incorporated ESG-related matters into its corporate strategy and important decisions, actively responded to relevant matters, taken practical actions to save energy and reduce emissions, contributed to the society and fulfilled its commitment to sustainable development, endeavoring to be well-prepared to meet the ESG challenges in the coming years.

As a leader in the medical device industry in China, the Group continues to intensify its development in the medical device industry and is committed to improving the quality of medical services, safeguarding public health and bringing wellness to different patients through the R&D and production of various medical products. During the Year, the Group has made splendid achievement in infusion set business, blood purification business and regenerative medical biomaterials business. The enhancement of the comprehensive strength in various fields has brought more development opportunities to the Group, further enhanced its competitiveness, and at the same time, urged the Group to focus on maintaining proper operation and steady development, and continuously improve corporate governance and internal control, so as to protect the Group's trade secrets and intellectual property.

The Group has proactively responded to the requirements of relevant laws and regulations in the medical industry to ensure that its products comply with the relevant requirements, and at the same time has made targeted adjustment to the bidding strategies. During the Year, the Group continued to intensify its development in infusion set, blood purification, and regenerative medical biomaterials fields, strengthen product quality control, increase investment in R&D, formulate talent cultivation programs, and enhance the comprehensive strength of the enterprise, in order to provide strong support and quality services to our product users.

The Group recognizes that the R&D and innovation capability is the core competitiveness of the Group and also the crucial factor for its long-term development. The Group has established a R&D team consisting of experienced experts and talents and worked closely with surgeons, hospitals, university research centers and other research institutions to explore technology development. As of December 31, 2024, the Group owned 173 patents for its products and 57 new patents are in the process of application. In the field of advanced infusion set, the PW Medtech Group has leading market positions. In terms of the "Fert" brand, the Group has always been focusing on providing safer and more effective solutions for transfusion treatment, and is one of the first manufacturers which obtained the approval of the National Medical Products Administration to manufacture precision filter infusion sets. Sichuan Ruijian Medical Technology Co. Ltd. of the Group owns a number of independent intellectual property rights, capable of developing, designing and manufacturing the entire dialyzer production line independently and is a pioneer in the field of China-made hemodialysis consumables. Beijing Ruijian High-Tech Biological Technology Co., Ltd. of the Group is engaged in the R&D and production of regenerative medical biomaterials and the R&D of human tissue repair alternative products using the new generation of tissue regeneration material technology. The Group has adopted a series of measures to encourage and recognize its staff's R&D and innovation activities and achievements, providing a healthy and positive R&D and innovation atmosphere.

Environmental, Social and Governance Report

The Group acknowledges the importance of innovation and R&D to the development of the medical industry, and will therefor continue its investment in product innovation and R&D. Keeping the R&D strategy of “produce and focus our R&D efforts for a leading next generation of products”, focusing on the safety, convenience and effectiveness of medical devices, fully combining the level of cutting-edge technology with traditional technological support, and carrying through the R&D and production philosophy of adhering to the medical healthcare and reverence for life, the Group pushes forward the development of the medical device industry, and makes contributions for the medical business in China with its best endeavors.

In the future, the Group will continue to incorporate the concept of sustainability into its business systems, pay attention to the risks and opportunities brought about by climate change, formulate a series of identification and response mechanisms, and consciously incorporate climate-related financial impacts into major corporate decisions. The Group continues to transform into green operations by selecting environmentally friendly materials and suppliers with environmental protection qualifications during the product R&D and design stages, and selecting energy-saving equipment and efficient production lines during the product production and monitoring stages to reduce emissions and control energy consumption. At the same time, the Group will incorporate sustainable development goals into its action plans, pay continuous attention to the physical and mental health of employees, give back to the society more actively, and further improve its ESG management systems and optimize its ESG performance on top of responding to the requirements of the regulatory authorities.

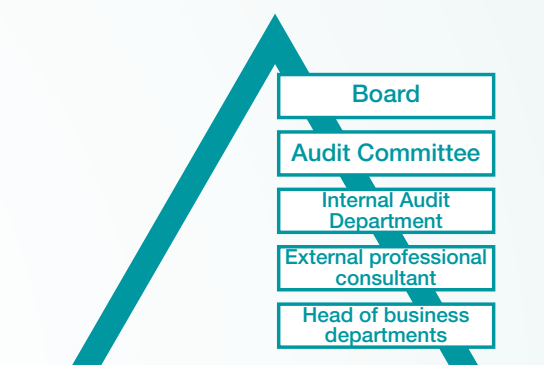
Chairman of the Board and CEO
Yue'e ZHANG

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group's ESG Philosophy, Governance Structure and Risk Management

The Group has established and continuously improved its ESG governance structure, continued to implement its ESG strategy through a top-down management model, and disclosed ESG information publicly on a regular basis, so as to empower the corporate comprehensive strength and value enhancement. The Board, in collaboration with the management, takes the overall responsibility for identifying and evaluating the risks and opportunities brought to the Group by ESG- and climate-related issues. At the same time, it encourages all employees to participate in the Group's sustainable development activities through the cooperation of various departments, disseminates the ESG philosophy in its daily operations, and undertakes corporate social responsibility.

Set out below is the ESG governance structure and functions of the Group:



Governing function	Scope of governing
Board	- Assume the overall responsibility for identifying and evaluating the main ESG issues of the Group and key ESG and climate risks faced by it. - Assume the overall responsibility for evaluating and determining the nature and extent of risks that are acceptable by the Group in achieving strategic goals, which include ESG and climate risks, and establish, improve and maintain appropriate and effective risk management and internal control system.
Audit Committee	- Assist the Board in leading the management and oversee their design, implementation and monitoring of the risk management and internal control system. - Take recommendations from the Internal Audit Department and propose to the Board the methodology for evaluating the internal control system.
Internal Audit Department	- Establish or improve the policy and procedures for addressing major risks, including ESG risks arising from operation. - Regularly review whether the risk management and internal control system is sufficient and effective, and whether there are situations facing major risks (including ESG risks arising from operation), and report to the Audit Committee.
External professional consultant	- Perform independent review of the risk management and internal control system annually. - Consider the reasonableness and effectiveness of the risk management and internal control system comprehensively, and make recommendations for improvement of improprieties to ensure efficient operation of the processes used to identify, assess and manage significant risks.
Head of business departments	- Identify and evaluate the risks that potentially impact on the business of the Group and various aspects on an ongoing basis, including ESG and climate risks arising from operation and deficiencies in internal control. - Maintain communication with stakeholders and keep abreast of their feedback and suggestions to ensure that risk management measures are in line with stakeholders' expectations. - Report any identified risks to the management.

Environmental, Social and Governance Report

During the Year, the Group has identified the following ESG risks through comparison with industry peers, engagement of external professional teams to evaluate the Group, and analysis and monitoring of the latest regulatory requirements:

Environmental, social and governance risks	Impact	Countermeasures
Product quality and safety	Product quality is core to the Group's operation. Most of the products manufactured by the Group are Class III medical devices, which are subject to the most stringent life-cycle regulatory requirements in accordance with the "Rules for the Administration of Medical Devices" (《醫療器械管理規則》) issued by the National Medical Products Administration. Their quality is directly related to the safety and health of patients. If there is any problem relating to product quality, patient safety will be jeopardized, and the Group will be subject to legal and other risks arising therefrom as well as economic losses, thus significantly affecting the Group's image and consumer confidence.	- The quality system department of the Group has established and continuously improved the quality management system and corresponding corporate systems and standards to guarantee product quality and safety; - The product R&D and technology department of the Group shall design and develop products according to the requirements of the National Medical Products Administration (NMPA), and the Group can carry out mass production of such products only after obtaining the registration certificate; and - The procurement department of the Group shall strictly screen out disqualified suppliers to ensure the quality of raw materials.
Compliance and regulation	The medical device industry in which the Group operates is subject to stringent laws and regulations, including a series of regulatory requirements ranging from R&D, clinical trial specifications to product registration, production and quality control, as well as stringent anti-corruption requirements, environmental protection regulations and other constraints. Any non-compliance with these regulations will result in the Group being subject to fines and legal proceedings, and will damage the Group's reputation and competitiveness in the market.	- The compliance department of the Group closely monitors changes in national and local laws and regulations, regulatory requirements and operating policies to ensure the Group's compliance; - The quality system department of the Group has established and continuously improved the product quality management system to ensure that the product quality complies with the relevant standards; and - The Group has set anti-corruption requirements for all staff and partners to ensure that there is no corruption in our operations.
Health and safety of employees	The health and safety of employees are a key focus of the Group. If any issue related to employees' health and safety arises, their personal rights and interests as well as the relevant interests of the Group will be affected.	- The Group has formulated various policies regarding employees' health protection and production safety to effectively safeguard employees' rights in terms of health and safety; - The Group has raised employees' awareness of production safety by adopting measures such as employee safety training and daily safety inspections, thus creating a healthy and safe working environment.
Employment and talent development	The Group attaches importance to labor issues that may arise in relation to employee recruitment, management and other employment matters. The medical device industry in which the Group operates is highly technology-intensive and innovation-driven. Failure to ensure the continuous recruitment and training of professional talents that meet the Company's requirements will result in the Group's innovative capability being restricted, making it difficult to ensure the Group's sustainable development and competitiveness in the market.	- The Group strictly complies with the national and local laws and regulations. Through the formulation and continuous improvement of a number of internal policies, a multi-level approval system and execution operations, the Group controls the employment process and labor management to comply with the national and local standards of the laws and regulations; - The Group provides various benefits to employees, while setting incentives for R&D and innovation to maintain a sustainable and positive scientific research environment.

For the identified ESG risks, the Group mainly assesses the materiality of the risks to the Group from the likelihood of occurrence of the risks, i.e. the frequency of occurrence of such risks in the future and the extent of their impact are estimated by using the occurrence of such risks in the past operations. For instance, in the financial aspect, the risks such as compensation and fines that may be brought about by ESG-related matters may result in damages to the Group's interests and reputation, and they may also bring about development opportunities such as new revenues or new markets.

The Group continues its top-down governance philosophy by integrating ESG concepts into the workplace and business through policies and measures, building employees' awareness of sustainable development, and popularizing ESG measures related to work and daily life. The Group maintains close communication with its employees in order to comply with the Group's ESG-related policies and perform ESG-related tasks.

COMMUNICATION WITH THE STAKEHOLDERS

The Group has always attached great importance to communication with stakeholders. During the Year, it organized different activities to obtain stakeholders' opinions and recommendations on its ESG practices. The Group believes that stakeholder participation could help better identify risks and opportunities in different aspects of ESG, and facilitate the formulation of more comprehensive management policies and measures. Main methods of communication between the Group and stakeholders are as follows:

Types	Issues of concern	Communication and response methods
Shareholders and investors	- Board diversity - Compliance operation - Anti-corruption - Antitrust and unfair competition - Information security and privacy protection	Publication of periodic report and announcement General meeting Investor mail Online and offline communication meeting from time to time
Employees	- Employee remuneration and benefits - Employee training and development - Occupational health and safety - Employee rights protection - Diversity and equal opportunity	Internal office system Regular communication Performance evaluation Training Team building activities Daily communication
Customers	- Product quality - Customer service - Complaint management - Compliance operation - Supplier management	Customer service channel Management policy Contract and agreement Appraisal and evaluation Daily communication
Business partners	- Supplier management - Product quality - Customer service - Antitrust and unfair competition - Compliance operation	Contract and agreement Site visit Appraisal and evaluation Daily communication

Environmental, Social and Governance Report

Types	Issues of concern	Communication and response methods
Government and regulatory departments	• Compliance operation • Anti-corruption • Product quality • Antitrust and unfair competition • Medical waste discharge management • Energy, resource use and management	Information disclosure and reporting Visiting reception Supervision and inspection Award selection
Media	• Product quality • Customer service • Complaint management • Supplier management • R&D and technology innovation • Social welfare • Responding to climate change	Daily communication and response News disclosure on the Group's official website Interview Award selection
Industry associations, hospitals and universities	• R&D and technology innovation • Product quality • Supplier management • Compliance operation • Anti-corruption • Industry cooperation and ecological co-construction	Academic seminar Industry exhibition Industry-academia-research activity

By focusing on the regulatory requirements, understanding the international development of ESG, comparing the industry standards and analyzing the Group's actual operation, the Group concluded a total of 21 materiality issues for the Year and conducted a comprehensive assessment of them, the details of which are as follows:

Environmental	Social	Governance
1. Greenhouse gas and waste gas emission management	7. Product quality and safety	19. Business ethics and anti-corruption
2. Energy use and management	8. R&D and technology innovation	20. ESG governance system
3. Resource use and management	9. Quality customer service	21. Responsible investment
4. Non-hazardous waste management	10. Intellectual property management	
5. Hazardous waste management	11. Information security and privacy protection	
6. Responding to climate change	12. Industry cooperation and ecological co-construction	
	13. Sustainable supply chain management	
	14. Employees' Compliance, Equality, Diversity and Inclusion	
	15. Employees' development and training	
	16. Employees' health and safety	
	17. Employees' welfare and talent attraction	
	18. Social investment and public welfare investment	

Through different methods of communication with stakeholders mentioned above, the Group has determined the material issues for the Year, the details of which are as follows:

Substantive Issues	Reasons for Selection	Corresponding Section
Product responsibility	As a medical device manufacturer, the Group considers product quality as the core of its development.	Achieving Efficient Operation
Employment	As a responsible enterprise, the Group protects the rights and interests of the employees and considers them as the cornerstone of development.	Upholding the People-oriented Principle
Health and safety	The health and safety of employees have always been the focus of the Group and the Group aims at constructing healthy and safe plants.	Upholding the People-oriented Principle
Development and training	Cultivating the skill of employees significantly fuels corporate development and guarantees their career development.	Upholding the People-oriented Principle

ACHIEVING EFFICIENT OPERATION

As a leading medical device manufacturer, the Group understands the significant impact of product quality and safety on patients' health and even life safety, and always abides by the medical ethics, prudent R&D, production and testing to ensure that the products comply with the national and local standards throughout their life cycle, so as to provide protection for a large number of patients with high-quality products. The Group has formulated and continuously improved its product quality management system, R&D system and supply chain management system, and has taken the initiative to understand the needs of its customers and incorporated them into the R&D and upgrading of its products, in order to provide safe and practical medical products.

The Group strictly complies with the following major product-related laws and regulations, including but not limited to "On-site Inspection Guidelines for Medical Device Production Quality Management" (《醫療器械生產品質管制規範現場檢查指導原則》), "Medical Device Recall Management Measures" (《醫療器械召回管理辦法》), "Measures for the Supervision and Management of the Manufacture of Medical Devices" (《醫療器械生產監督管理辦法》), "Quality Control Regulations for the Operation of Medical Devices" (《醫療器械經營品質管制規範》), "Self-inspection Report of the Manufacturing Enterprises of Medical Devices" (《醫療器械生產企業自查報告》), "Regulations on the Quality Control of Medical Device Manufacturing" (《醫療器械生產品質管制規範》), "Measures on the Supervision and Management of Medical Device Operation" (《醫療器械經營監督管理辦法》) and "Good Manufacturing Practice for Pharmaceutical Products" (《藥品生產質量管理規範》).

Maintaining Product Responsibility

Relevant policies

"Product Protection and Control Procedures" (《產品防護控制程序》), "Production Process Control Procedures" (《生產過程控制程序》), "Product Recall Management and Control Procedures" (《產品召回管理控制程序》), "Regulations for the Management on the use of Labels and Qualification Seals" (《卷標及規格章使用管理規定》), "Identification and Traceability Control Procedures" (《標識和可追溯性控制程序》), "Staff Manual" (《員工手冊》), "Quality Manual" (《質量手冊》), "Warehouse Management System" (《庫房管理制度》), "Intermediate Product Management System" (《中間產品管理制度》), "Integrity Cooperation Commitment" (《誠信合作承諾書》) and "Agreement on Quality Assurance and After-sales Services" (《質量保證及售後服務協議書》).

Quality Management

The Group has always placed great emphasis to product quality management, and has established and continuously improved a quality management system with mutual supervision and cooperation among various departments, clearly defined the objectives of product quality management and its responsible departments, and carried out stringent quality control. At the same time, it has formulated stringent measures for product manufacturing, storage, delivery and recall, so as to ensure its product quality complies with relevant requirements. The Group has obtained ISO13485 quality management system certification for medical devices and ISO9001 quality management system certification.

Product Manufacturing

- Based on product characteristics, the technology department has compiled the “Process Documentation” to specify all the production process requirements and procedures of all manufacturing techniques from raw materials to finished products.
- The Group enhances control over equipment, materials, production environment and personnel:
 - In terms of equipment control, the production department carries out repair and maintenance work on production equipment to ensure they operate properly and meet production needs;
 - For material control, all materials entering the production workshop must have passed the incoming material tests;
 - With regard to production environment control, the production department is responsible for the operation, repair and maintenance of sterilization equipment at the clean zone;
 - As to personnel control, the technology department strictly complies with the requirements of the technical documents and provides regular training for operators to ensure they are familiar with the operating procedures.

Product Storage

- The Group has formulated the “Warehouse Management System” (《庫房管理制度》) to specify the management system for the outgoing and incoming of various types of materials (including raw materials, semi-finished products, finished products, R&D and certification products, hazardous chemicals and low-consumption goods, etc.), and to guide and regulate the daily operations of the warehouse staff;
- The Group has formulated the “Product Protection and Control Procedures” (《產品防護控制程序》) and set up the position of warehouse managers, who are responsible for inspecting the materials in the warehouse on a regular basis. If any material is found to have quality issues, the warehouse managers are required to report to his supervisor promptly and dispose it in accordance with the prescribed procedures;
- Warehouse managers are required to carry out procedures for prevention of moisture, dust and contamination within the warehouses on a regular basis, so as to eliminate the hidden dangers in the storage of materials.

Product Delivery

- The Group carries products in strict compliance with the instructions on the product labels. All delivery vehicles shall be covered with waterproof cloths to prevent products from being contaminated;
- For shipping arrangements made on behalf of customers, the logistics department of the Group is required to choose the suitable mode of shipping and complete the shipping procedures;
- As for products delivered by the Group to customers, the delivery personnel of the Group are required to bind the products and use cushioning and rainproof materials in transit, to ensure product quality before delivery.

Product Recall

- If there are human health or safety risks in the products, the Group will immediately act in accordance with the “Product Recall Management and Control Procedures” (《產品召回管理控制程序》). The technology department shall determine whether to start the recall procedures;
- In case of a recall, the quality management department of the Group is required to publish a recall notice for the defective products, and the business department will notify the distributors, as well as entities and persons using such products. The recall notice will specify the name, specification, models, batch number and other basic information of the products to be recalled, the reason for the recall, and the requirements of the recall such as termination of sales and use of the products immediately and the treatment of recalled products. At the same time, the quality management department will notify and file a record with the Beijing Municipal Medical Products Administration and complete the Report of Medical Device Recall Event (《醫療器械召回事件報告表》) within 5 days;
- Following the completion of the product recall, the quality management department will document all relevant records and archive for future reference.

During the Year, the Group did not (2023: did not) receive product complaints and did not (2023: did not) recall products. To ensure timely and effective handling of customer complaints and to maintain meaningful communication with customers, the Group has formulated the “Customer Complaint Handling Control Procedure” (《顧客投訴處置控制程序》). The procedure specifies the duties of all departments, including the marketing department, quality management department and technology department, which handle the Group’s product complaints from customers based on this standard.

Product Labels

The Group’s product labels comply with relevant laws and regulations on the identification of medical devices. The Group has formulated the “Regulations for the Management on the use of Labels and Qualification Seals” (《卷標及規則章使用管理規定》) and the “Identification and Traceability Control Procedures” (《標識和可追溯性控制程序》) and other systems to further regulate the product labels and conduct effective management of them. The Group writes and attaches labels to all products which contain information that helps patients and physicians to understand its use. Thus, all of its production teams will collect corresponding labels at the warehouses based on product characteristics.

Privacy Protection

The Group sets up customer feedback channels and takes confidential measures for customer information that may be obtained to ensure the maximum protection of the interests of consumers. The Group understands different customers’ opinions and suggestions on its products via questionnaires and telephone communication in the ordinary course of business. The content involving customer privacy is regarded as the Group’s trade secret and is centrally managed by the human resources department. In order to strengthen confidentiality management, the human resources department has devised the confidentiality system incorporated in the staff manual (《員工手冊》) to require all employees to implement relevant confidentiality measures. The Group defines breaches that threaten information security, including but not limited to reproduction of confidential files of the Group without approval and use of group files for purposes other than the Group’s business, and adopts monitoring measures. If employees believe that the trade secrets of the Group are at risk of being exposed or used illegally, they are obliged to report to the immediate supervisor and the Group will take preventive measures promptly.

Intellectual Property Rights

The Group deeply acknowledges the importance of intellectual property rights for enterprises to protect their own interests and to continue to carry out R&D and innovation. According to the guidance opinion of the China National Intellectual Property Administration on patent-related works of enterprises and businesses, it has formulated a series of patent-related regulations and systems, such as the “Enterprise Patent Management System” (《企業專利管理制度》), the “Patent Award Management System” (《專利獎勵管理制度》) and the “Patent Management Measures” (《專利管理辦法》). These systems specify the duties and positions of technology research and development, patent application protection and management of patented technologies, and regulate the use of the Group’s patented technologies. The terms of these systems, which are applicable to all employees of the Group, cover all aspects from patent application to patent maintenance, protection and operations, so as to ensure that the Group’s intangible assets are effectively protected. At the same time, the Group attaches importance to cooperation and compliance with its partners, and the provision of products involving in any intellectual property rights dispute by its business partners, including its suppliers, is expressly forbidden by various policies. In addition, the Group undertakes that it will safeguard its intellectual property rights and respect those of its business partners in the process of its own operations and external cooperation.

Currently, the Group’s operation does not involve any product advertisement so far. Hence, it has not formulated the relevant policies. In the future, the Group will update such policies depending on its business development.

Managing the Supply Chain

Relevant policies

“Regime for Supplier Review Management” (《供應商審核管理制度》), “Procurement Control Procedures” (《採購控制程序》), “Procurement Management System” (《採購管理制度》) and “Supplier Scoring Criteria” (《供方評分準則》).

The Group acknowledges the importance of environmental and social risks faced by its suppliers to the supply chain ecosystem of the Group. The Group has established a supplier management system, in which the procurement department cooperates relevant departments such as the technology department, R&D department, production department and quality management department to complete all aspects of the procurement process, while strictly monitoring the quality of suppliers and enhancing procurement efficiency through the management procedures covering supplier audit, evaluation, cooperation and procurement behavior. The Group prefers to procure materials from stable and qualified suppliers who have cooperated with it for many years. In case it needs new suppliers, the procurement department will understand the market situation and conduct in-depth investigation to identify candidate suppliers with production capacity, consistent quality as well as honesty and integrity. The Group performs a comprehensive evaluation of existing suppliers at the end of each year, where relevant departments will jointly review and analyze their product quality, delivery capability, product pass rate and technology level and give comprehensive scores. For suppliers that fail to meet the Group's requirements in terms of environmental, social, product quality and delivery performance, the Group will offer recommendations for improvement or disqualify them depending on the actual situation. Meanwhile, the Group will pay attention to the changes in the national laws and regulations, take note of the policy changes that may affect the supply of raw materials to the Group in real time, and conduct adjustments accordingly in a timely manner.

Environmental requirements for suppliers

Investigate the environmental performance of the suppliers, including their exhaust gas emissions, sewage discharge and use of resources.

Social requirements for suppliers

Suppliers should submit inspection reports from qualified inspection centers on the use of certain hazardous chemicals.

Elimination of Corruption

Relevant policies

“Anti-fraud Policy” (《反舞弊政策》), “Whistleblowing Policy” (《舉報政策》), “Probity Statement” (《廉潔聲明》), “Procurement Principles” (《採購制度》) and “Staff Manual” (《員工手冊》).

The Group strives to build a culture of probity, and requires all employees to sign the Letter of Commitments on Integrity and Self-discipline. Pursuant to this, they undertake not to seek rebates from any business partners, which include cash, payment in kind or securities, and not to commit any misconduct by offering benefits to hospital staff in any name. In case of any misconduct, the Group will impose corresponding punishments on, terminate the labor contract with the relevant staff or refer to the relevant judiciary authorities depending on the seriousness of the case. During the Year, the Group had no (2023: no) proceedings regarding corruption filed or concluded against the Group and its employees.

During the Year, the Group included training on upholding integrity in the orientation training for new staff. Training hours for such training were included in the section headed “Provision of Development and Training Opportunities” below.

UPHOLDING THE PEOPLE-ORIENTED PRINCIPLE

Relevant Policies

“Staff Manual” (《員工手冊》), “Measures for Prevention and Rectification of Misuse of Child Labor” (《防止誤請童工及補救措施》) and “Recruitment Management Regulations” (《招聘管理規定》).

The Group understands that safeguarding the legitimate rights and interests of employees, creating a safe and healthy working environment and providing talent development channels are not only the foundations for corporates to fulfil its responsibilities as a good employer, but also the core factors to promote the sustainable development of its business. The Group maintains strict compliance with the laws and regulations of China and the place of operation relating to employment and labor standards, which are set out in the section headed “Compliance Profile” below. The Group has formulated a series of policies to set out the system terms and execution measures in respect of areas such as employee’s remuneration, recruitment, dismissal, training, safety and labor standards, including but not limited to the following:

Comprehensive Employment System

Remuneration and dismissal

- The remuneration structure of employees adopts the position-based salary system, which consists of two parts, namely basic salary and performance-based salary.
- If employees are found to provide false working hours, be absent from work continuously or commit other illegal acts, the Group has the right to terminate the employment.

Holidays

The Group complies with the requirements of national statutory holidays and offers employees personal leave, sick leave, marriage leave, maternity leave and other leaves.

Other benefits and welfare

The Group provides employees with additional benefits including canteens, fitness and entertainment centers, staff accommodation and communication allowance. Meanwhile, the Group actively organizes various cultural and sports activities to create a harmonious cultural atmosphere and a good working environment for employees.

Recruitment and promotion

- The human resources department of the Group is responsible for formulating recruitment plans according to the employment needs of each department, and implementing the same upon approval of the general manager.
- The Group conducts regular performance appraisals on employees, the results of which shall be used as the basis for assessing their future promotion.

Equal opportunities and anti-discrimination

Complying with the relevant national laws and regulations, the Group undertakes to provide equal opportunities to all employees in aspects such as recruitment, training and career development, regardless of their gender, age, nationality, religion or color, etc. Meanwhile, the Group is committed to creating an anti-discrimination working environment, where it maintains a zero-tolerance policy towards any form of discrimination.

Child labor and forced labor

Strictly complying with the relevant national laws and regulations, the Group undertakes to prohibit the employment of child labor. According to the “Measures for Prevention and Rectification of Misuse of Child Labor” (《防止誤請童工及補救措施》), it inspects candidates’ identification documents during the recruitment process to confirm their ages. Candidates who fail to meet the age requirement shall be disqualified immediately and their parents or legal guardians shall be notified promptly, so that the candidates can reunite with their parents or guardians at the original place of residence as soon as possible. The Group expressly prohibits any forced labor practices and respects the employees’ rights to resign on their own will.

Working hours

The Group unifies the overall planning of working hours of its employees to ensure them have enough rest and maintain their physical well-being.

Diversity

The Group is committed to a diversified working environment, and has employed ethnic minority employees and disabled employees, while providing them with special care.

Occupational health and safety

The Group strictly abides by relevant national laws and regulations, provides employees with a healthy and safe working environment, and has established an occupational health and safety management system, covering various aspects such as workplace safety facilities and labor protection equipment, safety management personnel, emergency plans, health checks for employees and safety training.

Guarantee Health and Safety

Relevant Policies

“Responsibility System for Safety Production” (《安全生產責任制》), “Production Safety Inspection Management System” (《安全生產檢查管理制度》), “Management System for Safety Production Education and Training” (《安全生產教育和培訓管理制度》), “Safety Management System for Hazardous Operations” (《危險作業安全管理制度》), “Management System for Reporting and Handling Production Safety Accidents” (《生產安全事故報告和處理管理制度》), “Management System for Investigations and Rectification of Hidden Hazards and Filing and Monitoring” (《事故隱患排查治理和建檔監控管理制度》), “Safety Operation Procedures Management System” (《安全操作規程管理制度》), “Fire Safety Management System” (《消防安全管理制度》) and “Management System on the Prevention and Control of Occupational Hazards” (《職業危害防治管理制度》).

Occupational Safety

The Group attaches great importance to employees’ health and safety through strict compliance with the “Production Safety Law of the People’s Republic of China” (《中華人民共和國安全生產法》) and the “Law of Prevention and Control of Occupational Diseases of the People’s Republic of China” (《中華人民共和國職業病防治法》), and adopts a production approach with a “focus on preventive measures and a combination of prevention and control”. The Group establishes a safety management organization and engages full-time safety managers, among which, both the major principals and full-time safety managers own corresponding capabilities, have obtained relevant training certificate, conduct the annual periodic retraining, and update their qualification certificate in a timely manner. The Group conducts monthly investigations and rectification of hidden hazards in order to constantly better the working environment for the staff. The Group has formulated respective safety management systems, passed the evaluation on grade II safety production standardization and is able to proceed sustained and dynamic management and improvement based on all the elements of standardization.

For positions and employees that are at risk of exposing to occupational health and safety hazards, the Group informs them of occupational hazards in advance, including the hazard factors, protective facilities, protective equipment and emergency treatment capabilities of the position, and specifically carries out induction and annual periodic trainings. In addition, the Group engages third parties with professional qualifications to conduct annual environmental testing on dust and chemical pollutants that may endanger employees’ health, so as to ensure compliance with national regulatory requirements in terms of workplace safety. All testing results were up to standard. Besides, the Group provides personal protective equipment to protect employees from occupational health hazards. Every year, the Group organizes professional occupational health checks for employees who may be exposed to occupational health and safety hazards and the examination results are normal. It also arranges special training at government-accredited institutions for employees at special positions, such as electricians and forklift operators and to ensure workplace safety. These employees are allowed to work only after they have obtained the qualification certificate and work permits.

The Group organizes safety production related trainings monthly, which not only include the basic trainings on safety production and operation of basic equipment, but also include induction safety trainings for new employees and special safety trainings for employees of special types of work, such as limited space operation training, accident prevention training, trainings on the use of protective articles and other trainings.

Fire Safety

To enhance fire safety management of production, prevent fire, and avoid major personal and equipment accidents, the Group has formulated the “Fire Safety Management System” (《消防安全管理制度》). It has fire equipment and emergency facilities at each operation site, conducts regular inspection and maintenance, and updates the “Fire Equipment Management Ledger” (《消防器材管理台賬》) in a timely manner. The Group organizes regular training for employees to promote and educate fire safety knowledge, so that employees can learn about the risk of fire related to their positions and work areas, master the operational skills of firefighting equipment, and build fire safety awareness. In addition, the Group has established a voluntary fire-fighting team to be in charge of the different areas in fire safety management under the guidance of the management. The voluntary fire-fighting team conducts fire drills on a regular basis.

Emergency Response

The Group has put the “Comprehensive Emergency Plan for Production Safety Accidents” (《安全生產事故綜合應急預案》) in place to ensure normal production and operation, prevent and control potential accidents or emergencies in the course of production, and enable immediate and effective response after accidents, which applies to various emergencies in plant, including natural disasters, fires, electrical accidents, poisoning and burns. In case of a safety emergency, such as fire or explosion, the responsible personnel shall immediately evacuate the staff in a timely manner and promptly report to the police. If the situation is within control, employees may put out the fire with fire-fighting equipment by themselves. Information on the location of all fire-fighting equipment is available in the “Fire Equipment Management Ledger” (《消防器材管理台賬》).

During the Year, the Group had six work-related injury cases in total, with 84 lost working days due to injury in aggregate, and all these work-related injuries are attributable to improper production operation. The Group improved production equipment and processes in a timely manner, eliminated hidden safety hazards of production lines, and emphasized the importance of safety production by organizing trainings on safety production awareness and operation for relevant employees. For the sake of avoiding such injuries in coming years, the Group organized a number of relevant operational trainings for all staff to improve the awareness of crisis prevention of employees and further standardized the operational procedure. During the Year, it organized 207 (2023: 233) occupational safety training programs for employees, covering 1,290 (2023: 1,204) employees. The Group takes responsibility for the health and safety of employees, while cultivating employees’ awareness of safety production, so as to build an ideal working environment that values life and safety.

Provision of Development and Training Opportunities

The Group attaches great importance to employee development, proactively cultivates employees’ vocational skills, and provides employees with comprehensive, diversified and professional training opportunities and career development opportunities. The human resources department is responsible for the overall planning and management of all employees’ training, with each functional division responsible for mapping out their respective professional training plan and assessment standards. The human resources department has formulated the “Training Management System” (《培訓管理制度》) which was incorporated in the “Staff Manual” (《員工手冊》), and categorized staff training into two parts, namely internal training and external training. Leveraging internal lecturers and external professional online training platform courses, it aims to enhance the occupational knowledge, skills and comprehensive capacities of staff required for their job positions.

During the Year, the Group organized 714 (2023: 839) training programs, including general training, departmental compliance training, industry standards training, laboratory and plant operation training, equipment use training and anti-corruption training, with a total of 10,381 (2023: 16,133) training hours.

PROMOTING GREEN PRODUCTION

Relevant Policies

“Regulations on the Management of Hazardous Chemicals” (《危險化學品管理規定》).

The Group conforms to the international trend of sustainable development, pays close attention to the developments of regulatory authorities and laws and regulations, and is committed to maintaining the trust and confidence of investors and the public in the Group through good ESG performance. As a medical device manufacturing enterprise, it is a long-term objective of the Group to reduce the impact on the environment throughout the entire product life cycle. In terms of the disposal of exhaust gas emissions and greenhouse gas (GHG) emissions, hazardous and non-hazardous wastes and use of resources, the Group strictly complies with the relevant national laws and regulations, which are set out in the section headed “Compliance Profile” below. The Group has obtained ISO14001 environmental management system certification.

Management of Emissions and Resources

Exhaust Gas Emissions

During the Year, the exhaust gases arising from the operation of the Group are mainly nitrogen oxides, sulfur oxides and respirable suspended particles from vehicles combusting fossil fuels and equipment consuming natural gas. Of which, the nitrogen oxides, sulfur oxides and respirable suspended particles from vehicles combusting fossil fuels were 12.86 (2023: 11.78) kg, 0.56 (2023: 0.52) kg and 1.31 (2023: 1.19) kg respectively. Such increase in nitrogen oxides, sulfur oxides and respirable suspended particles from vehicles combusting fossil fuels was resulted from the higher usage of vehicles during the Year. Vehicles of the Group are mostly up to the National IV and V Emission Standard. By consciously minimizing the usage of vehicles up to the National III Emission Standard and National II Emission Standard, the Group strives to make continuous contribution to reducing emissions. During the year, the nitrogen oxides, sulfur oxides and respirable suspended particles from the consumption of natural gas by the Group were 9,946.93 (2023: 8,924.32) kg, 2,486.73 (2023: 2,231.08) kg and 994.69 (2023: 892.43) kg respectively. The consumption of natural gas increased due to higher usage of natural gas in production equipment and kitchen equipment with expanded scale of production and operation of Ruijian Medical during the Year. In the future, the Group will make every attempt to improve the consumption efficiency of natural gas while ensuring production efficiency and quality and protecting the welfare of employees.

The Group formulated the “Vehicle Management Provisions” (《車輛管理規定》) to strictly control the usage of vehicles, pursuant to which, personnel responsible for recording vehicle use shall be appointed to strictly prohibit private use of business vehicles, and drivers are required to make proper use of vehicles and reduce fuel consumption, enabling lower use of vehicles and less consumption of energy to some extent. Vehicles are driven to vehicle administration office every year for annual inspection to make sure that they meet national standards. The Group applies for fuel cards to compliant gas stations of companies such as Sinopec and China National Petroleum Corporation to ensure that the fuel meets the relevant standards and that the existing vehicles of the Group conform to national emission standards. In the coming years, the Group will consider the usage of new energy vehicles and hybrid electric vehicles to improve the efficiency in using vehicles and reduce the overall usage of vehicles. Bulk express delivery will be planned to replace vehicle transport for the arrangement of product transportation and distribution. It calls on employees to carpool as much as possible during official business trips, improve the utilization rate of vehicles, and use public transportation such as buses, subways and healthy ways such as shared bicycles in daily life.

The Fert Plant of the Group uses ethylene oxide to sterilize its infusion sets products in operations, which generates ethylene oxide exhaust gas. During the construction of the ethylene oxide sterilization facilities, the Fert Plant took into consideration the control of pollution due to ethylene oxide exhaust gas and reserved space for the exhaust gas treatment equipment in the ethylene oxide sterilization workshop. The Fert Plant purchased the complementary treatment equipment for ethylene oxide exhaust gas in procuring the ethylene oxide sterilization cabinet, so that the exhaust gas generated from the sterilization process will be channelled to the exhaust gas treatment equipment before direct emission. The Fert Plant purchased the leading treatment equipment for ethylene oxide exhaust gas in the PRC. After being treated by the exhaust gas treatment equipment, the ethylene oxide exhaust gas will be converted into wastewater containing ethylene glycol, which will be treated by an appointed treatment group after reaching a certain amount. As a result, only an insignificant amount of exhaust gas is produced. In order to make sure that gas emission meets standards, the Fert Plant engages third-party testing organization to conduct annual testing according to the GBZ/T160.58-2004 standard. All testing results are up to standard and in line with Beijing DB11/501-2017 standard.

Nitrogen oxides, sulfur oxides and respirable suspended particulates are generated from the consumption of natural gas in using Ruijian Medical’s production equipment and kitchen equipment in operation. Of these, natural gas used indirectly (to make the boilers work for steam) in the following four areas: solvent recovery station, spinning room, water injection system and cleaning room, accounts for the vast majority of the total amount of natural gas used, and natural gas used directly in the kitchen equipment (group canteen) accounts for a relatively small proportion. Ruijian Medical has upgraded its boilers and replaced them with low-NOx burners to effectively reduce the emissions of nitrogen oxides and engaged qualified third parties to conduct regular waste testing to ensure the emissions meet standards. Volatile organic compounds (VOCs) are generated during the process of producing hemodialysis related products by Ruijian Medical. However, with the use of water absorption method, VOCs are dissolved in water before being extracted. The water dissolving VOCs is subject to relevant treatment before being discharged as wastewater. Ruijian Medical has engaged third parties with professional qualification to conduct regular waste testing, with no testing results exceeding standards and all emissions meeting standards.

Ruijian Biological has not commenced mass production, and therefore no vehicle has been provided for official business trips. If necessary, employees generally choose to take subway, bus or other types of public transportation, in order to implement the Group's policy on green travel. Public transportation usually produces less exhaust emissions. Whenever employees need to travel to places where public transportation is not readily available and the distance is long, Ruijian Biological arranges employees to use online car-hailing or private vehicle-for-hire services, which generate less exhaust. Therefore, the exhaust gases from Ruijian Biological were not included.

In 2022, the Group has set an emission target for exhaust gas emissions, taking into account the fact that the emissions from the use of its vehicles and natural gas and the ethylene oxide exhaust gas emissions are related to the production and operation of its core business segments and are of increased importance to the Group's business and stakeholders. Taking 2022 as the base year and assuming that there are no significant changes in its business, the Group aims to maintain the intensity of nitrogen oxides at 0.08 kg/m², sulfur oxides at 0.02 kg/m² and respirable suspended particulates at 0.01 kg/m² for the next three years.

During the Year, the Group's intensity of nitrogen oxides stood at 0.11 kg/m², sulfur oxides at 0.03 kg/m² and respirable suspended particulates at 0.01 kg/m². During the Year, there was no significant change in the exhaust gas emissions of the Group as compared with those of the previous year, and the Group's operating area and production capacity increased in line with the increase in fuel use. In the coming years, the Group will keep an eye on exhaust gas emissions, pay close attention to cutting-edge technology and new equipment for reducing exhaust gas emissions in medical device industry, and apply them in the Group's operating sites and production lines on a timely basis.

		Emissions for the Year	Intensity (based on area, i.e., "kg/m ² ")	Emissions for 2023
Type				
Exhaust gas emission ²	Nitrogen oxides (kg)	9,959.79	0.11	8,936.10
	Sulfur oxides (kg)	2,487.29	0.03	2,231.60
	Respirable suspended particles (kg)	996.00	0.01	893.62

² The data were calculated according to the Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions by Enterprises in Other Business Lines of Industries (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》).

GHG Emissions

The quantification process of the Group's GHG emissions was carried out by referring to the guidelines issued by the National Development and Reform Commission of China, ISO14064 GHG Certification/Verification Standard, GHG Protocol and other international standards.

During the Year, the total GHG emissions generated were approximately 25,005.38 (2023: 22,912.77) tonnes of carbon dioxide equivalent. The GHG intensity of Scope 1 and Scope 2 was 0.11 tonnes of carbon dioxide equivalent/m² and 0.17 tonnes of carbon dioxide equivalent/m² respectively. Compared to 2023, carbon dioxide equivalent for the Year increased by 2,092.61 tonnes, representing a less increment. Among Scope 1, carbon dioxide equivalent generated from vehicles of the Group increased by 6.87 tonnes, carbon dioxide equivalent generated from the consumption of nature gas increased by 1,006.03 tonnes and carbon dioxide equivalent generated from the consumption of refrigerant decreased by 61.20 tonnes. Among Scope 2, carbon dioxide equivalent generated from purchased electricity increased by 1,140.92 tonnes.

Refrigerant consumed by the Group is generated by Ruijian Medical mainly for the purpose of maintaining sound production and operation environment for the staff by running air conditioners in summer. At Ruijian Medical, air conditioners are only used for refrigeration purpose from May to October. The temperature of air conditioners in summer is accurately controlled at not less than 26°C, and the temperature of air conditioners in winter is controlled at not higher than 22°C. As the park where the Group's Fert Plant is located uses centralized cooling equipment (i.e., ground source heat pump), and the refrigerant used by dozens of enterprises in the park varies from 7 to 30 kg every year, it is impractical to calculate the use of refrigerant by the Fert Plant separately. Therefore, there was no carbon dioxide equivalent generated from the use of refrigerant at the Fert Plant in the current and previous years.

During the Year, the Group's Fert Plant continued to take relevant measures on energy conservation and consumption reduction, such as replacing the infrared intelligent human sensor lightings in common areas including office buildings and dormitory, and using solar lamps in outdoor carport and other areas; controlling the temperature of ground source heat pumps, phasing out or replacing circulating pumps with more efficient ones to reduce energy consumption; combining office printers to reduce their number; urging employees to turn off computers, lights and other electrical equipment after work; and encouraging employees to save power by putting up posters and signs at key areas such as factories, dormitories and canteens.

Ruijian Medical has taken relevant measures to save energy and reduce consumption, including converting electric cooling to air cooling, using inverters and other technologies to reduce energy consumption, and adjusting the operation of air-conditioners according to weather changes to reduce the consumption of electricity. Besides that, employees are encouraged to choose public transportation and the use of taxis are strictly controlled during business trips to reduce GHG emissions. Ruijian Medical has issued the "Notice on Saving Printing Papers in Office" (《關於節約辦公室打印用紙的通知》), pursuant to which, employees are required to try their best to facilitate paperless office by reducing unnecessary paper printing, papers generated from misprinted document shall be collected in a recycling box of reusable papers for reuse, it is encouraged to use reusable papers or preset the printer to double-sided printing mode when printing documents for unofficial and internal circulation purposes, in order to boost the effective use of paper.

Ruijian Biological has taken relevant measures to save energy and reduce consumption, including purchasing efficient energy equipment at workplace to replace inefficient and aging equipment and improve energy efficiency; replacing energy-saving lighting equipment by using energy-saving and environmentally friendly LED lights, and reducing the number of lights used; the all-in-one printers in the office are open to all departments of the Group with account registration, and departments with abnormal printing quantity will be inquired and investigated to prevent employees from printing irrelevant documents and generating additional energy consumption; the last employee leaving the office at the end of the day is required to inspect the entire area and switch off the lighting and air-conditioning equipment in the area; limiting air conditioning temperature settings to control the consumption of electricity and refrigerant; for business trips less than 1,000 kilometers away from the office, choosing high-speed rail and only reimbursing public transportation costs to reduce GHG emissions; strictly examining and approving business travel by adhering to railway travel and minimizing air travel; and organizing employees to participate in energy conservation and emission reduction training, so as to cultivate environmental awareness.

According to the latest disclosure requirements, the disclosure of other indirect GHG emissions under Scope 3 is not required. Thus, there are no statistics and disclosure for other indirect GHG emissions under Scope 3 during the Year.

In 2022, the Group has set up a new target for indirect GHG emissions associated with energy under Scope 2 by taking 2022 as the base year, assuming its business does not change materially. The target is to maintain the Group's GHG intensity at 0.17 (Scope 1 and 2, carbon dioxide equivalent in tonnes/m³) in the next three years.

During the Year, the GHG intensity of Scope 1 and Scope 2 of the Group was 0.28 tonnes of carbon dioxide equivalent/m². During the Year, there was no significant change in the GHG emissions of the Group as compared with those of the previous year, and the Group's operating area and production capacity increased in line with the increase in energy use. In the coming years, the Group will keep an eye on GHG emissions and purchase equipment enabling to enhance energy efficiency and reduce energy consumption, with product quality and production capacity guaranteed. Besides, the Group will also intensify the promotion of energy conservation and emission reduction in its day-to-day production and operation, while urging its staff, suppliers and clients to jointly participate in low carbon and environmental protection actions.

	Scope	Emissions for the Year	Emissions for 2023
GHG emissions	Scope 1: Direct GHG emissions (carbon dioxide equivalent in tonnes)	9,955.42	9,003.72
	Scope 2: Indirect GHG emissions associated with energy (carbon dioxide equivalent in tonnes)	15,049.96	13,909.04
	Total GHG emissions (Scope 1 and 2, carbon dioxide equivalent in tonnes)	25,005.38	22,912.77
	GHG intensity (Scope 1 and 2, carbon dioxide equivalent in tonnes/m ²)	0.28	0.28

Wastewater Discharge

The wastewater generated by the Group is mainly from office water, production water and the wastewater that cannot be reused in the production process. All wastewater has been discharged through the wastewater pipes via the municipal pipeline network to the local wastewater treatment plant. In particular, the wastewater discharge of the Fert Plant meets the Beijing DB11/307-2013 standard. The total water consumption of the Fert Plant, Ruijian Medical and Ruijian Biological during the Year was 353,337.60 (2023: 332,716.00) m³.

The Group strives to promote water conservation by strengthening water utilization monitoring and installing energy and water-saving equipment for daily water consumption at the dormitory, and putting up posters in all water use areas to increase the efforts to promote water conservation. During the Year, the Fert Plant repaired and replaced the outdoor water supply pipe network to prevent the waste of water resources such as water running, water bubbling, water dripping and water leaking; continued to upgrade water treatment equipment, thoroughly cleaned the underground rainwater and sewage pipes, set up a collection system for the rainwater in a unified way and used it for virescence irrigation, and also used the domestic water leaked from the broken pipes for virescence irrigation in the park; reused cooling water for production equipment; gradually replaced the smart sensor bathroom supplies to further save water. Ruijian Medical recycled the wastewater produced during the process of production, built solvent recovery site, and enhanced the reuse rate of workshop wastewater; used the wastewater from the purified water from the workshops as water for other processes to reduce waste. Ruijian Biological has installed wastewater treatment equipment and water-saving devices in accordance with environmental requirements in order to meet the discharge standards and reduce waste; the wastewater was classified and managed, and the wastewater generated by the preparation of injection water was reused for virescence irrigation and flushing toilets. The Group does not have a large water demand and has not experienced any difficulty in sourcing water.

In 2022, the Group set a new target in respect of wastewater discharge. Taking 2022 as the base year and assuming that there are no significant changes in its business, the Group aims to maintain its water consumption intensity at 48.95 m³/10,000 items in the next three years.

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During the Year, the Group's water consumption intensity was 48.74 m³/10,000 items, and the target was achieved. During the Year, the water consumption of the Group slightly increased compared to last year, but the intensity of emissions decreased due to the effectiveness of the Group's water-saving measures with its increased production capacity. Since all aspects of the Group's production and operation require water resources, the Group will pay more attention to water resources consumption in the coming years, add waste water reuse equipment to improve the recycling rate of water resources, and posted water-saving slogans in office areas, plants, staff dormitories and canteens to advocate water conservation.

Waste Disposal

The wastes produced by the Group are mostly comprised of domestic garbage, all being non-hazardous wastes. All those wastes have been sent to a third-party waste management facility for proper treatment. During the Year, the Group produced a total of 644.32 (2023: 697.69) tonnes of non-hazardous wastes.

The Group generated a total of 299.93 (2023: 300.70) tonnes of hazardous wastes during the Year, including laboratory waste liquids, used mineral oil, cutting fluid, organic solvent wastewater, oily wastes, steel needles and infusion tubes.

As required by the production process, some products of the Group need to be soaked with organic solvents. Upon completion of the process, some wastewater may be collected via recycling equipment for reuse, and those that cannot be recycled are treated as hazardous waste. To ensure the safe and effective treatment of these hazardous wastes, the Group established the "Regulations on the Management of Hazardous Chemicals" (《危險化學品管理規定》) in compliance with the "Regulations on the Safety Administration of Dangerous Chemicals" (State Council of the PRC Order No. 591) (《危險化學品安全管理條例》(中華人民共和國國務院令 第591號)). It also sets up the hazardous chemical warehouse and hazardous waste warehouse and hazardous waste temporary storage room. The site selection, equipment and facilities of the hazardous waste temporary storage room are in line with the "Standard for Pollution Control on Hazardous Waste Storage" (《危險廢物貯存污染控制標準》). Moreover, the Group designs a labelling method for the hazardous waste with relevant documents required to be hung on the wall and being managed by designated personnel, thereby strictly observing national laws and regulations in using and handling hazardous chemicals and hazardous waste. The hazardous wastes generated in the production and inspection process are treated by professional treatment groups, among which the ethylene oxide exhaust gas after being treated by the exhaust gas treatment equipment will be converted into wastewater oil-containing ethylene glycol, which is treated by a professional treatment group, and other wastes are treated by a professional treatment group.

In order to effectively control the discharge of waste, for non-hazardous waste, the Group minimizes the use of disposable packaging in its operations, uses revolving packaging without affecting product quality, reuses packaging such as express cartons and plastic bags, while reducing the use of office paper, promoting paperless office, and utilizing OA to promote the approval process. For hazardous waste, the Group implements clean production and uses clean energy in its plants; improves the processing capacity of recovery equipment for materials including alcohol, and improves the recycling rate of waste liquid; chooses to use raw materials with environmentally friendly properties, and simplifies the production process to improve material utilization and product yield.

In 2022, the Group set new targets in respect of waste disposal. Taking 2022 as the base year and assuming that there are no significant changes in its business, the Group aims to maintain its non-hazardous waste intensity and hazardous waste intensity at 0.77 tonnes/employee and 0.0217 tonnes/10,000 items respectively in the next three years.

The Group's non-hazardous waste intensity and hazardous waste intensity were at 0.47 tonnes/employee and 0.0414 tonnes/10,000 items respectively for the Year. During the Year, the Group's non-hazardous waste disposal significantly decreased, and the disposal intensity calculated by employees significantly decreased, and the target was achieved. During the Year, the hazardous waste disposal of the Group also decreased compared to last year, and the disposal intensity decreased, mainly due to the increase in the Group's production capacity and the effectiveness of measures to reduce the disposal of hazardous waste. Since hazardous waste is consumed in various aspects of the Group's production and operation, in the coming years, the Group will pay more attention to the hazardous waste disposal and pay attention to the reusable hazardous consumables in the market, reduce the use of disposable hazardous consumables, and improve the disposal requirements of hazardous waste, so as to carry out testing in accordance with standards and achieve disposal standards.

Use of Resources

The types of energy used in the Group are mainly gasoline, natural gas and electricity. The major raw materials used in the Fert Plant, Ruijian Medical and Ruijian Biological are different and the respective statistics are disclosed below. The Group consumed a total of 1,245.50 (2023: 1,181.86) tonnes of packaging materials for the Year and the intensity of packaging materials calculated by production volume was 0.17 tonnes/10,000 items.

The major raw materials used in the Fert Plant during the production process of finished products consist of polyvinyl chloride (PVC) granules and acrylonitrile butadiene styrene (ABS) plastics, with annual consumptions a total of 1,375.37 (2023: 1,044.96) tonnes. In terms of packaging materials for finished products, a total of 652.72 (2023: 733.33) tonnes of paper boxes and packaging bags were consumed. When choosing raw materials and packaging materials, the Fert Plant mainly considers whether the materials meet the relevant standards of the medical device regulations. In order to ensure the quality of materials, the Plant enters into quality technical agreements with all its suppliers, in which the requirements and responsibilities on quality are stipulated. Moreover, the Plant inspects materials received according to the procurement inspection requirements and only the qualified materials can be put into production.

The annual consumptions of the major raw materials used in Ruijian Medical during the production process of finished products were 1,966.68 (2023: 1,450.67) tonnes. A total of 592.05 (2023: 448.29) tonnes of aluminum-plastic composite bags and paper boxes were consumed for the packaging materials of finished products. When choosing raw materials and packaging materials, Ruijian Medical comprehensively considers the volatility, toxicity and recyclability of materials, and chooses the materials with low volatility, high innocuity and high recyclability. Ruijian Medical requires material suppliers to meet regulations in relation to quality and environmental protection and conducts inspection upon receiving materials according to applicable standards.

The consumptions of the major raw materials used in Ruijian Biological during the production and research process of finished products were 1.49 (2023: 2.30) tonnes. A total of 0.73 (2023: 0.24) tonnes of packaging bags were consumed for the packaging materials of finished products. When choosing raw materials and packaging materials, Ruijian Biological considers the device regulations, product quality requirements, sterilization methods and impact on the environment, specifically, the materials shall not contain any heavy metals and are degradable. Ruijian Biological eventually chooses qualified and environmentally friendly materials supplied by suppliers with quality certification and conducts quality inspection of materials in and out of storage.

During the Year, the Group consumed a total of 74,519.80 (2023: 65,493.15) megawatt hours of energy, including 47,658.20 (2023: 42,772.80) megawatt hours of direct energy, most of which was the natural gas used by Ruijian Medical, reaching 47,288.49 (2023: 42,426.91) megawatt hours. The total energy consumption of the Group also includes 26,861.60 (2023: 22,720.35) megawatt hours of indirect energy.

In 2022, the Group reset its target on energy use. Taking 2022 as the base year, assuming that there are no significant changes in its business, the target is to maintain the energy efficiency intensity at 8.83 megawatt hours/10,000 items for the next three years.

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During the Year, the Group's energy use intensity was 10.28 megawatt hours/10,000 items. The Group's energy use for the Year significantly increased compared to last year, which was mainly due to the increase in the Group's production capacity and the increase in product R&D, production, testing and transportation. In the coming years, the Group will concern more on energy use and save energy and electricity.

		Consumption for the Year	Consumption for 2023
Type			
Energy use	Direct energy (Megawatt hours) ³	47,658.20	42,772.80
	Indirect energy (Megawatt hours)	26,861.60	22,720.35
	Total energy consumption (Megawatt hours)	74,519.80	65,493.15
	Energy intensity (calculated by production "Megawatt hours/10,000 items")	10.28	9.89

The Environment and Natural Resources

The Group may use hazardous chemicals, including ethylene oxide, alcohol, concentrated hydrochloric acid, concentrated nitric acid and concentrated sulfuric acid, in the course of daily production. To ensure proper storage and use of hazardous chemicals and minimize the impact of chemical leakage to the surrounding environment, the Group has established the "Regulations on the Management of Hazardous Chemicals" (《危險化學品管理規定》), which establishes a three-tier protection mechanism, in which the procurement department, quality management department and production center are responsible for the procurement, inspection and warehouse management of hazardous chemicals respectively. In addition, the Group requires professional personnel to carry out the loading, unloading and storage works and collision, toppling and leakage are strictly prohibited during the transportation process of chemicals. The hazardous chemicals shall be stored in different areas based on their characteristics and fire safety signs shall be posted accordingly.

The Group may produce hazardous wastes such as organic solvent wastewater, laboratory waste liquids and medical wastes in the course of daily production. The Group has set up a designated temporary storage room for hazardous wastes, the location and equipment of which must comply with the "Standard for Pollution Control on Hazardous Waste Storage" (《危險廢物貯存污染控制標準》). The Group has also stipulated the standard disposal methods for hazardous wastes and the related documents are posted on the walls. In addition, the Group has entered into transshipment contracts with qualified third-party groups and the transshipment procedure shall comply with the environmental regulations for solid wastes in respective administrative regions. The hazardous wastes must be first transshipped to the temporary storage room for hazardous wastes regularly by the employees producing the hazardous wastes in the plant of the Group, and then regularly transshipped by the qualified third-party groups.

The Group may produce household wastes, paper waste and other non-hazardous wastes in the course of daily operation. The Fert Plant, Ruijian Medical and Ruijian Biological have formulated and implemented the relevant rules for non-hazardous wastes. The cafeteria in the Fert Plant uses reusable cutlery to reduce the supply of disposable cutlery and plastic bags and uses environmentally friendly and recyclable packaging materials as far as possible. Meanwhile, the waste classification standard has been implemented for non-hazardous wastes throughout the Plant. Ruijian Medical has formulated the "Management System on Solid Wastes" (《固體廢物管理制度》) with detailed provisions on the disposal methods and management for various types of wastes. It has entered into contracts with qualified third-party groups and appointed dedicated personnel to arrange waste disposal accordingly. Ruijian Biological collects packaging from delivery services and recyclable wastes and reuse them whenever possible.

³ The calculation used in converting to and from kilowatt hours was made with reference to the "Energy Statistics Manual" (《能源統計手冊》) published by the International Energy Agency.

Responding to Climate Change

The Group recognizes the impact of climate change on business operation, so it actively responds to the “China’s National Climate Change Program” (《中國應對氣候變化國家方案》) and relevant latest national policies, closely monitors international dynamics, identifies and evaluates the Group’s exposure to climate-related risks and formulates mitigation measures. According to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), climate risks can be divided into transition risks (challenges that may be faced by the Group when adapting to changes in policy, legal environment, technology and market) and physical risks (potential effect of extreme weather events on the Group).

Risk types	Duration of impact	Impact on the Group	Measures to deal with
Physical risks			
Acute risk	Short-term	Natural disasters/extreme weather events (typhoons, heat waves, floods, cold weather) may cause production line disruptions, supply chain disruptions and threaten the safety of employees.	• Closely monitor weather conditions and issue warnings to employees, plants and offices once any extreme weather event arises, and implement staggered production, if necessary. • Regularly inspect the operating environment of plants, conduct inspections on wind, water and electricity safety conditions, and eliminate potential hazards in a timely manner. • Develop “Emergency Plan for Production Safety Accidents” (《安全生產事故應急預案》), the “Emergency Plan for Floods” (《防汛應急預案》) and the “Emergency Plan Process for Property Security” (《物業保安應急預案流程》). For instance, with regard to floods caused by heavy rain, the property management department sets up an emergency leadership team to organize and establish various emergency response teams for risk management, including the alert team, emergency rescue team, equipment repair team and relief work team, and carries out emergency drills to enhance risk responses.
Chronic risk	Medium- to long-term	Global warming leads to the melting of glaciers, rising sea levels and other chronic changes impact on the production of products, product storage and transportation in future.	• Continue to pay attention to global warming, and examine, maintain and improve plant operating environment and product storage environment on a regular basis.
Transition risks			
Policy & legal risk	Medium- to long-term	Policy updates in the medical device industry, introduction of policies related to energy conservation and emission reduction, stricter emission reporting obligations and compliance requirements.	• Strengthen communication with regulatory authorities and organizations to be updated with and strictly comply with changes in relevant governing laws and regulations to ensure product and service compliance. • Continue to pay attention to the dynamics of national laws, regulations and systems related to climate change. • Continue to promote energy conservation and consumption reduction measures to minimize GHG gas emissions.

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Risk types	Duration of impact	Impact on the Group	Measures to deal with
Technology risk	Medium-term	The medical device market expects products cleaner and more environmental, or the Group's products are completely replaced by new technology products.	- Continue to encourage research and development and innovation, pay attention to new trends in the market, focus on the emergence of new product technologies and widely absorb talents. - Incorporate energy conservation and emission reduction into product planning, such as the use of eco-friendly materials, high-efficiency production methods and equipment with energy efficiency label for production.
Market risk	Short-term	The medical device market values green products more, and the emergence of greener similar products reduces the market competitiveness of the Group's products.	Continue to encourage research and development and innovation, explore green procurement ways, produce green products with green technology, and maintain core competitiveness with high-level technologies and professional production capacity over the years.
Reputation risk	Long-term	Customers or communities have a poor impression and evaluation of high carbon emission enterprises and therefore do not invest in or buy their products, which affects their profitability and market share.	- Actively fulfill corporate social responsibility and further improve brand image. - Continue to take measures to reduce carbon emissions, disclose and publicize the Group's ESG contribution to the society, and advocate carbon reduction actions.

SUPPORT SOCIAL WELFARE

Relevant policy

"Community Investment Policy" (《社區投資政策》).

The Group is concerned about the interests of the public, adheres to the concept of inclusive healthcare, and actively participates in public welfare undertakings in fulfilling its social responsibility as a medical device enterprise. The Group has formulated the "Community Investment Policy" (《社區投資政策》), specifying social welfare investment and business operation are complementary to each other.

During the Year, each business segment of the Group actively participated in various medical popularization activities to popularize basic medical knowledge among the public and promote the concept of health and wellness that focuses on physical and mental health; held seminars on mental health to call for the care of people with special illnesses and to ease the public's psychological pressure and anxiety; and incorporated environmental protection and resource conservation into its daily work as a practice of sustainable development.

Looking forward, the Group will make use of its expertise and resources in various projects, plans and initiatives strategically, so as to bring positive impacts to social development in both short and long term.

COMPLIANCE PROFILE

Compliance with the relevant laws and regulations

Aspects	Relevant laws and regulations	Compliance disclosure	Possible material impact on the Company	Measures to ensure compliance with the laws and regulations
A1 Emissions	- The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) - The Law of Prevention and Treatment of Water Pollution of the People's Republic of China (《中華人民共和國水污染防治法》) - The Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》) - The Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》)	During the Year, the Group has not identified any cases of non-compliance with the laws and regulations regarding emissions.	The Group may face administrative punishments and order of business suspension for serious cases.	The Group complies with environmental protection laws, regulations and requirements, formulates the relevant group policy management system and regulatory control procedures, and carries out treatment and discharge of emissions in line with relevant laws, regulations and requirements.
B1 Employment	- The Labor Law of the People's Republic of China (《中華人民共和國勞動法》) - The Labor Civil Code of the People's Republic of China (《中華人民共和國勞動民法典》) - The Employment Promotion Law of the People's Republic of China (《中華人民共和國就業促進法》) - The Labor Dispute Mediation and Arbitration Law of the People's Republic of China (《中華人民共和國勞動爭議調解仲裁法律》)	During the Year, the Group has not identified any cases of non-compliance with the laws and regulations regarding employment.	The Group may face administrative and legal punishment, which would bring negative impacts and corresponding legal risks to its brand image.	Based on the relevant legal requirements, the human resources department formulates the "Recruitment Procedure" (《招聘制度》) and upholds the principles of openness, fairness and justice in talent recruitment and management.
B2 Health and Safety	- The Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) - The Law on Prevention and Control of Occupational Diseases of the People's Republic of China (《中華人民共和國職業病防治法》) - The Fire Control Law of the People's Republic of China (《中華人民共和國消防法》)	During the Year, the Group has not identified any cases of non-compliance with the laws and regulations regarding health and safety.	The individual rights of employees and corresponding rights of the Group may be affected. Meanwhile, the Group may also face the risk of legal proceedings.	The Group reviews and updates relevant mechanisms regularly, so as to ensure all safety measures are complied with laws and regulations, and are implemented in a proper manner.

Aspects	Relevant laws and regulations	Compliance disclosure	Possible material impact on the Company	Measures to ensure compliance with the laws and regulations
B4 Labor Standards	- The Labor Law of the People's Republic of China (《中華人民共和國勞動法》) - The Law on Protection of Rights and Interests of Women of the People's Republic of China (《中華人民共和國婦女權益保護法》) - The Law on Protection of Minors of the People's Republic of China (《中華人民共和國未成年人保護法》) - The Provisions on Prohibition of Child Labor (《禁止使用童工規定》)	During the Year, the Group has not identified any cases of non-compliance with the laws and regulations regarding labor standards.	The Group's reputation in the market may be affected.	The Group forbids the use of child and forced labor at all operation sites. It has also formulated a number of internal measures and control procedures to prevent child and forced labor.
B6 Product Responsibility	- The Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) - The Patent Law of the People's Republic of China (《中華人民共和國專利法》) - The Law on Protection of the rights and interests of consumers of the People's Republic of China (《中華人民共和國消費者權益保護法》)	During the reporting period, the Group has not identified any cases of non-compliance with the laws and regulations regarding product responsibility.	This not only affects the Group's image and consumers' confidence, but also causes legal and other risks as well as economic loss to the Group.	Based on the requirements of the National Medical Products Administration, the product R&D department and the technology department design and develop products. The procurement department adopts stringent supply chain management. The quality control department performs quality inspection procedures on all segments through the corresponding mechanism.
B7 Anti-corruption	- The Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) - The Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》)	During the reporting period, the Group has neither been involved in any proceedings regarding corruption that were brought against the Group or its employees, nor violated relevant laws and regulations which have a material impact on the Group.	It would increase the operating cost of the Group and cause economic loss.	The "Staff Manual" (《員工手冊》) has specified the code of conduct that the staff must follow and the zero-tolerance approach towards illegal activities, such as corruption and bribery. The Group also offers training to raise the anti-corruption awareness of employees.

OVERVIEW OF KEY PERFORMANCE INDICATORS

Environmental Performance

Types		Emissions for the Year	Emissions for 2023
Exhaust gases	Nitrogen oxides (kg)	9,959.79	8,936.10
	Sulfur oxides (kg)	2,487.29	2,231.60
	Respirable suspended particles (kg)	996.00	893.62
Scopes		Emissions for the Year	Emissions for 2023
GHG emissions	Scope 1: Direct GHG emissions (carbon dioxide equivalent in tonnes)		
	Fossil fuel combustion — fixed source	9,785.62	8,779.59
	Fossil fuel combustion — mobile source	101.80	94.93
	Refrigerants	68.00	129.20
	Scope 2: Indirect GHG emissions associated with energy (carbon dioxide equivalent in tonnes)		
	Purchased electricity	15,049.96	13,909.04
	Total GHG emissions (carbon dioxide equivalent in tonnes)	25,005.38	22,912.77
	GHG intensity (carbon dioxide equivalent in tonnes/m ²)	0.28	0.28
Types		Generation for the Year	Generation for 2023
Wastes	Hazardous wastes (tonnes)	299.93	300.70
	Intensity of hazardous wastes (calculated by production volume, i.e., “tonnes/10,000 items”)	0.0414	0.0454
	Non-hazardous wastes (tonnes)		
	Domestic waste	644.32	697.69
	Intensity of non-hazardous wastes (calculated by the number of employees, i.e., “tonnes/number of employees”)	0.47	0.58
Types		Consumption for the Year	Consumption for 2023
Use of energy	Direct energy (Megawatt hours)		
	Gasoline	369.71	345.89
	Natural gas	47,288.49	42,426.91
	Indirect energy (Megawatt hours)		
	Electricity	26,861.60	22,720.35
	Total energy consumption	74,519.80	65,493.15
	Energy intensity (calculated by production “Megawatt hours/10,000 items”)	10.28	9.89

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		Consumption for the Year	Consumption for 2023
Use of water resources	Total water consumption (m ³)	353,337.60	332,716.00
	Intensity of water consumption (calculated by production volume, i.e., "m ³ /10,000 items")	48.74	50.26
		Consumption for the Year	Consumption for 2023
Use of packaging materials	Total packaging materials (tonnes)	1,245.50	1,181.86
	Intensity of packaging materials (calculated by production volume, i.e., "tonnes/10,000 items")	0.17	0.18

SOCIAL PERFORMANCE

		Number of employees for the Year	Number of employees for 2023
Employee Distribution			
Gender	Male	509	400
	Female	868	808
Types of employment	Key management	18	18
	Management	72	59
Forms of employment	General staff	1,287	1,131
	Full-time	1,374	1,208
Age	Part-time	3	0
	Below 30	278	207
	30–40	614	571
	41–50	386	344
	Above 50	99	86
Gender ratio (male: female)		0.59:1	0.50:1
Total		1,377	1,208

Employee Distribution		Distribution and percentage of resigned employees for the Year ⁴	Distribution and percentage of resigned employees for 2023 ⁵
Gender	Male	130 (25.5%)	94 (23.5%)
	Female	269 (31.0%)	257 (31.8%)
Age	Below 30	98 (35.3%)	111 (53.6%)
	30–40	199 (32.4%)	172 (30.1%)
	41–50	87 (22.5%)	59 (17.1%)
	Above 50	15 (15.2%)	9 (10.5%)
Total number and percentage ⁵		399 (29.0%)	351 (29.1%)

Occupational Safety and Health Performance	Indicators for the Year	Indicators for 2023	Indicators for 2022
Work-related fatalities and percentage	0	0	0
Number and percentage of employees who suffered from work-related injuries	6, 0.4%	5, 0.4%	3, 0.4%
Lost working days due to work-related injuries	84	33	146

Training		Data for the Year	
		Distribution and percentage of employees receiving training ⁶	Average training hours (hours) ⁷
Gender	Male	539 (36.1%)	4,532
	Female	956 (63.9%)	5,849
Types of employment	Key management	16 (1.1%)	338
	Management	72 (4.8%)	903
	General staff	1,407 (94.1%)	9,140

⁴ Number of resigned employees in the category divided by the number of employees in the category as at the end of the year.

⁵ Number of resigned employees divided by the number of employees as at the end of the year.

⁶ Number of employees receiving training in the category divided by the total number of employees receiving training.

⁷ Training hours of employees of the gender or the type of employment divided by the number of employees as at the end of the year.

Training		Distribution and percentage of employees receiving training	Data for 2023	
			Training hours (hours)	Average training hours (hours)
Gender	Male	400 (33.1%)	5,623	14.1
	Female	808 (66.9%)	10,510	13.0
Types of employment	Key management	18 (1.5%)	494	27.4
	Management	59 (4.9%)	1,444	24.5
	General staff	1,131 (93.6%)	14,195	12.6
Total number of employees receiving training and training hours		1,495(108.57%)	Data for the Year	
			10,381	7.5
			Data for 2023	
		1,208(100.00%)	16,133	13.4

Regions in which the suppliers are located	Number of suppliers	
	Data for the Year	Data for 2023
Eastern China	410	383
Central China	44	34
Southern China	348	199
Northern China	145	118
Northeast Region	12	8
Western China	2	2
Southwest Region	426	391
Northwest Region	12	7
Overseas	25	21
Hong Kong	9	1

REPORTING CONTENT INDEX

Subject Areas	Contents	Indexes and Remarks
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Management of Emissions and Resources
A1.1	The types of emissions and respective emissions data.	Management of Emissions and Resources OVERVIEW OF KEY PERFORMANCE INDICATORS
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Management of Emissions and Resources OVERVIEW OF KEY PERFORMANCE INDICATORS
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Management of Emissions and Resources OVERVIEW OF KEY PERFORMANCE INDICATORS
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Management of Emissions and Resources OVERVIEW OF KEY PERFORMANCE INDICATORS
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Management of Emissions and Resources OVERVIEW OF KEY PERFORMANCE INDICATORS
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Management of Emissions and Resources OVERVIEW OF KEY PERFORMANCE INDICATORS

Subject Areas	Contents	Indexes and Remarks
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Management of Emissions and Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Management of Emissions and Resources OVERVIEW OF KEY PERFORMANCE INDICATORS
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Management of Emissions and Resources OVERVIEW OF KEY PERFORMANCE INDICATORS
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Management of Emissions and Resources OVERVIEW OF KEY PERFORMANCE INDICATORS
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Management of Emissions and Resources OVERVIEW OF KEY PERFORMANCE INDICATORS
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Management of Emissions and Resources OVERVIEW OF KEY PERFORMANCE INDICATORS
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Responding to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Responding to Climate Change

Subject Areas	Contents	Indexes and Remarks
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Comprehensive Employment System
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	OVERVIEW OF KEY PERFORMANCE INDICATORS
B1.2	Employee turnover rate by gender, age group and geographical region.	OVERVIEW OF KEY PERFORMANCE INDICATORS
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Guarantee Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	OVERVIEW OF KEY PERFORMANCE INDICATORS
B2.2	Lost days due to work injury.	OVERVIEW OF KEY PERFORMANCE INDICATORS
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Guarantee Health and Safety
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Provision of Development and Training Opportunities
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	OVERVIEW OF KEY PERFORMANCE INDICATORS
B3.2	The average training hours completed per employee by gender and employee category.	OVERVIEW OF KEY PERFORMANCE INDICATORS

Subject Areas	Contents	Indexes and Remarks
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Comprehensive Employment System
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Comprehensive Employment System
B4.2	Description of steps taken to eliminate such practices when discovered.	Comprehensive Employment System
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Managing the Supply Chain
B5.1	Number of suppliers by geographical region.	OVERVIEW OF KEY PERFORMANCE INDICATORS
B5.2	Description of practices relating to engaging suppliers, and how they are implemented, and how they are implemented and monitored.	Managing the Supply Chain
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Managing the Supply Chain
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Managing the Supply Chain

Subject Areas	Contents	Indexes and Remarks
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Maintaining Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for health and safety reasons.	Maintaining Product Responsibility
B6.2	Number of products and service related complaints received and how they are dealt with.	Maintaining Product Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Maintaining Product Responsibility
B6.4	Description of quality assurance process and recall procedures.	Maintaining Product Responsibility
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Maintaining Product Responsibility
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Elimination of Corruption Elimination of Corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Elimination of Corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Elimination of Corruption
B7.3	Description of anti-corruption training provided to directors and staff.	Elimination of Corruption
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	SUPPORT SOCIAL WELFARE
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	SUPPORT SOCIAL WELFARE
B8.2	Resources contributed (e.g. money or time) to the focus area.	SUPPORT SOCIAL WELFARE

Directors' Report

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended December 31, 2024.

PRINCIPAL ACTIVITIES

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011. The principal business activity of the Company is investment holding. The Group is principally engaged in the R&D, manufacturing and sales of (i) advanced infusion set, intravenous cannula products, insulin needles etc., (ii) blood purification medical devices, and (iii) animal-derived regenerative medical biomaterials and human tissue repair alternative products in the PRC.

The activities and particulars of the Company's subsidiaries are shown under Note 39 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year ended December 31, 2024 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year ended December 31, 2024, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. A discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" in this annual report. In addition, a description of the environmental policies and performance of the Company is set out in the section headed "Environmental, Social and Governance Report" in this annual report. These discussions form part of this directors' report.

DIVIDEND

The Board has recommended the payment of a final dividend HK5.3 cents per share for the year ended December 31, 2024 (for the year ended December 31, 2023: 4.95 cents). Together with the interim dividend of HK4.5 cents per share already paid, total dividend for the full year of 2024 amounted to HK9.8 cents per share (2023: HK9.85 cents per share).

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). The Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders.

The Board intends to distribute no less than 70% of the profit attributable to shareholders of the Company for a financial year.

The Board adopts the Dividend Policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors including without limitation to:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of Shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may deem appropriate.

Any final dividend for a financial year will be subject to shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles.

The Board will review the Dividend Policy as appropriate from time to time.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Tuesday, June 10, 2025. The notice of the annual general meeting will be published and dispatched (if requested) in due course in the manner as required by the Listing Rules.

CLOSURE OF THE REGISTER OF MEMBERS FOR 2025 AGM

For determining the entitlement to attend and vote at the 2025 AGM, the register of members of the Company will be closed from June 5, 2025 to June 10, 2025, both days inclusive, and during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2025 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on June 4, 2025.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 10 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended December 31, 2024 are set out in Note 14 to the consolidated financial statements on page 141 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended December 31, 2024 are set out in Note 29 to the consolidated financial statements on page 159 of this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2024, the Company has not entered into any equity-linked agreement.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2024 are set out in Note 30 and Note 40(b) to the consolidated financial statements on page 160 and page 176 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2024, the Company's distributable reserves were RMB2,385.4 million.

BORROWINGS

As at December 31, 2024, the Company's borrowing balance was RMB5.8 million (as at December 31, 2023: nil)

DONATIONS

During the year ended December 31, 2024, the Group did not make any charitable donations (2023: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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, 2024. 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, 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

During the year ended December 31, 2024 and up to the date of this annual report, the Company has repurchased on the Stock Exchange a total of 78,897,000 shares of the Company (the "Shares Repurchased") at a total consideration of approximately HK\$86,834,290. Details of the Shares Repurchased are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
June 2024	5,072,000	1.09	1.03	5,349,030
July 2024	17,981,000	1.21	1.01	20,671,040
August 2024	0	N/A	N/A	N/A
September 2024	22,129,000	1.16	1.06	24,781,280
October 2024	14,125,000	1.19	1.07	15,909,660
November 2024	14,471,000	1.07	1.00	14,906,830
December 2024	5,119,000	1.04	1.00	5,216,450
January 2025	0	N/A	N/A	N/A
February 2025	0	N/A	N/A	N/A
March 2025 (up to the date of this annual report)	0	N/A	N/A	N/A

As at the date of this annual report, a total of 32,401,000 Shares Repurchased have been cancelled, out of which 2,633,000, 1,800,000, 18,620,000 and 9,348,000 Shares Repurchased were cancelled on June 28, 2024, July 4, 2024, August 15, 2024 and November 4, 2024, respectively.

Directors' Report

The Board considers that (i) the Share Repurchase Scheme reflects the confidence in the Board and senior management of the Company in the long-term growth and market performance of the Company; (ii) the Share Repurchase Scheme will be beneficial to the Company and create value to the Shareholders, and thus the Share Repurchase Scheme is in the best interest of the Company and its Shareholders as a whole; and (iii) the current financial resource of the Company enables it to implement the Share Repurchase Scheme while maintaining a solid financial position.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the year ended December 31, 2024 and up to the date of this annual report.

As at December 31, 2024 and up to the date of this annual report, the Company holds 46,496,000 treasury shares. The Company has not yet determined on the intended use of such treasury shares and will utilize them as permitted under the Listing Rules, subject to, market conditions and its capital management needs.

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 CG Code as contained in Appendix C1 to the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Code during the year ended December 31, 2024, with the exception of code provision C.2.1 of the Code.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. Currently, Ms. Yue'e ZHANG performs both the roles of the chairman of the Board and CEO. 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.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Board during the year ended December 31, 2024 and up to the date of this annual report consists of the following six Directors:

Executive Director

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

Non-executive Directors

Mr. JIANG Liwei

Mr. LIN Junshan

Independent Non-executive Directors

Mr. WANG Xiaogang

Mr. CHEN Geng

Ms. WANG Fengli

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 14 to 16 in the section headed "Profile of Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has issued letters of appointment (i) to Ms. Yue'e ZHANG, the executive Director for a term of 3 years from February 3, 2021, and renewed for a term from February 3, 2024 to March 30, 2025; (ii) to Mr. JIANG Liwei, a non-executive Director, for a term of 3 years from March 31, 2022; (iii) to each of Mr. LIN Junshan, a non-executive Director, and Mr. WANG Xiaogang and Mr. CHEN Geng, independent non-executive Directors, for a term of three years from October 15, 2022; and (iv) to Ms. WANG Fengli, an independent non-executive Director, for a term of 3 years from August 1, 2021, and renewed for a term from August 1, 2024 to March 30, 2025.

The letters of appointment of Ms. Yue'e ZHANG, the executive Director, Mr. JIANG Liwei, a non-executive Director and Ms. WANG Fengli, an independent non-executive Director have been renewed for a term of 3 years from March 31, 2025.

The term of office of each of the Directors is subject to termination, and termination notice can be served either by the Director or the Company. The appointment may be renewed in accordance with the Articles and the applicable rules.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors. The Company considers such Directors to be independent.

CONTRACT WITH DIRECTORS AND CONTROLLING SHAREHOLDER

No contract of significance has been entered into among the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries during the year ended December 31, 2024.

DIRECTOR'S INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party, and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2024.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The remuneration (including fees, salaries, retirement benefit scheme contribution and other benefits) paid to the Directors in aggregate for the year ended December 31, 2024 was approximately RMB2.2 million.

The remuneration (including salaries, retirement benefit scheme contribution and other benefits) paid to the Group's five highest paid individuals in aggregate for the year ended December 31, 2024 was approximately RMB19.0 million.

For the year ended December 31, 2024, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended December 31, 2024.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 10 to the consolidated financial statements on pages 136 to 137 of this annual report.

Save as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2024, by the Group to or on behalf of any of the Directors.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors nor the controlling Shareholder or their respective associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group.

DEED OF NON-COMPETITION

On October 14, 2013, Ms. Yufeng LIU, the Company's ultimate controlling Shareholder, and Cross Mark Limited, through which Ms. Yufeng LIU holds equity interest in the Company (Ms. Yufeng LIU and Cross Mark Limited are collectively referred to as the "Covenantors"), and the Company (for itself and as trustee for each of its subsidiaries) entered into a deed of non-competition (the "Non-competition Deed"), pursuant to which each of the Covenantors has irrevocably, jointly and severally given certain non-competition undertakings to the Company. Details of the Non-competition Deed are set out in the section headed "Relationship with Controlling Shareholders — Non-competition Undertaking" in the Prospectus.

The Covenantors declared that they have complied with the Non-competition Deed for the year ended December 31, 2024. The independent non-executive Directors have conducted such review for the year ended December 31, 2024 and also reviewed the relevant undertakings and are satisfied that the Non-competition Deed has been fully complied.

PENSION SCHEME

Details of the pension scheme of the Company are set out in Note 4.13 to the financial statements.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout the year ended December 31, 2024.

MANAGEMENT CONTRACTS

Other than the Directors' appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended December 31, 2024.

LOAN AND GUARANTEE

During the year ended December 31, 2024, the Group had not made any loan or provided any guarantee for any loan, directly or indirectly, to the Directors, senior management, its ultimate controlling Shareholder or their respective connected persons.

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at December 31, 2024, there were no matters that gave rise to a disclosure required under Rule 13.18 of the Listing Rules.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at December 31, 2024, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long position in ordinary Shares

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

+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at December 31, 2024, being 1,533,231,098 Shares (including 46,496,000 treasury Shares).

Save as disclosed above and in the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" and to the best knowledge of the Directors, as at December 31, 2024, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at December 31, 2024, the following corporations/persons had interests of 5% or more in the issued Shares according to the register of interests required to be kept by the Company under section 336 of the SFO:

Long position in ordinary Shares

Name	Note	Capacity	Number of ordinary Shares interested	Approximate percentage ⁺ of the Company's issued share capital
Cross Mark Limited	(1)	Beneficial owner	621,557,863	40.54%
Ms. Yufeng LIU	(2)	Interest of a controlled corporation	621,557,863	40.54%
Mr. ZHANG Zaixian	(3)	Interest of spouse	621,557,863	40.54%
Right Faith Holdings Limited		Beneficial owner	393,385,962	25.66%
Mr. Marc CHAN	(4)	Interest of controlled corporations	408,385,962	26.64%

Notes:

- (1) Cross Mark Limited held 575,061,863 Shares. In addition, Cross Mark Limited controls one-third or more of the voting power at general meetings of the Company. Hence, it is taken to have an interest in 46,496,000 treasury shares of the Company following the repurchase of Shares by the Company on the open market pursuant to the Repurchase Mandates.
 - (2) The entire issued share capital of Cross Mark Limited is legally and beneficially owned by Ms. Yufeng LIU. Under the SFO, Ms. Yufeng LIU is deemed to be interested in the same number of shares of the Company in which Cross Mark Limited is interested.
 - (3) Mr. ZHANG Zaixian is the spouse of Ms. Yufeng LIU. Under the SFO, Mr. ZHANG Zaixian is deemed to be interested in the same number of Shares in which Ms. Yufeng LIU is interested.
 - (4) The entire issued share capital of Right Faith Holdings Limited is legally and beneficially owned by Mr. Marc CHAN. In addition, Amplewood Resources Limited, a company wholly owned by Mr. Marc CHAN, held 15,000,000 Shares. Under the SFO, Mr. Marc CHAN is deemed to be interested in the same number of Shares in which Right Faith Holdings Limited and Amplewood Resources Limited are interested.
- + The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at December 31, 2024, being 1,533,231,098 Shares (including 46,496,000 treasury Shares).

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2024, no person had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customers accounted for approximately 5.1% of the Group's total revenue from continuing operations. The Group's five largest customers accounted for approximately 19.0% of the Group's total revenue from continuing operations.

In the year under review, the Group's largest suppliers accounted for approximately 4.2% of the Group's total cost of sales from continuing operations. The Group's five largest suppliers accounted for 11.8% of the Group's total cost of sales from continuing operations.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

EMPLOYEES

The Group had approximately 1,415 employees as at December 31, 2024, as compared to 1,244 employees as at December 31, 2023. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination.

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

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

CONTINUING CONNECTED TRANSACTIONS

Sales of Medical Devices

On July 5, 2022 (after trading hours), the Company entered into the Sales of Medical Devices Framework Agreement with Lepu Medical, pursuant to which the Group agreed to sell medical devices to Lepu Medical Group, including but not limited to dialyzers, infusion sets, intravenous cannulas and insulin injection needles and pens.

As the Sales of Medical Devices Framework Agreement had expired on December 31, 2024, on October 18, 2024 (after trading hours), the Company entered into the Renewed Sales of Medical Devices Framework Agreement with Lepu Medical to renew the Sales of Medical Devices Framework Agreement.

The Company considers that the Sales of Medical Devices Framework Agreement and the Renewed Sales of Medical Devices Framework Agreement are beneficial to the Company's business development for the following reasons:

- (i) Lepu Medical Group has sales channels covering over 80 countries and regions. Leveraging on Lepu Medical's well-established product distribution network globally, they facilitate the distribution and sales of the Group's products, which would not only provide a stable source of income to the Group and contribute to the implementation of the Group's sale plan but also enhance the brand value and overseas market influence of the Company;
- (ii) they allow the Group to maintain a strong strategic and business relationship with Lepu Medical Group, thereby generating synergy potential and mutual economic benefits between the Group and Lepu Medical Group; and
- (iii) the continuation of the sales of medical devices will provide a stable source of income for the Group.

Term

The term of the Sales of Medical Devices Framework Agreement commenced from August 31, 2022 to December 31, 2024, subject to renewal for additional three years upon parties' mutual agreement and the Listing Rules.

The term of the Renewed Sales of Medical Devices Framework Agreement will commence from January 1, 2025 to December 31, 2027. The Renewed Sales of Medical Devices Framework Agreement is also subject to renewal for additional three years upon parties' mutual agreement and the Listing Rules.

Pricing Policy

The prices of the medical devices purchased by Lepu Medical Group under the Sales of Medical Devices Framework Agreement and the Renewed Sales of Medical Devices Framework Agreement shall be determined with reference to the quantity of orders, the brand of products (e.g. self-branded products or OEM products) and the prevailing market prices of comparable medical devices from at least two independent third parties. The prices and other terms of the Group's sales of medical devices to Lepu Medical Group shall be no less favourable to the Group than those offered to other independent third-party purchasers by the Group at the relevant time.

Provision of Medical Products Processing Services

On July 5, 2022 (after trading hours), the Company entered into the Medical Products Processing Services Framework Agreement with Lepu Medical, pursuant to which the Group agreed to provide processing services to Lepu Medical Group.

As the Medical Products Processing Services Framework Agreement had expired on December 31, 2024, on October 18, 2024 (after trading hours), the Company entered into the Renewed Medical Products Processing Services Framework Agreement with Lepu Medical to renew the Medical Products Processing Services Framework Agreement.

The Company considers that the Medical Products Processing Services Framework Agreement and the Renewed Medical Products Processing Services Framework Agreement beneficial to the Company's business development because they allow the Group to maintain a strong strategic and business relationship with Lepu Medical Group, thereby generating synergy potential and mutual economic benefits between the Group and Lepu Medical Group. Provision of processing service to Lepu Medical Group will also provide a stable source of income for the Group.

Term

The term of the Medical Products Processing Services Framework Agreement will commence from July 5, 2022 to December 31, 2024, subject to renewal for additional three years upon parties' mutual agreement and the Listing Rules.

The term of the Renewed Medical Products Processing Services Framework Agreement will commence from January 1, 2025 to December 31, 2027, subject to renewal for additional three years upon parties' mutual agreement and the Listing Rules.

Pricing Policy

The prices of the processing service provided by the Group under the Medical Products Processing Services Framework Agreement and the Renewed Medical Products Processing Services Framework Agreement are calculated on a “per unit” basis and are determined on a cost plus basis. The Group estimated the cost primarily comprising (i) the labour costs; (ii) the number of work orders; and (iii) the rental and overhead of the requested work space in the relevant workshops and plants. After arriving at an estimated cost, the Group added a mark-up with reference to the then prevailing mark-ups charged by other independent market participants for comparable processing services. Where it is impracticable to refer to the prices offered by independent third parties for comparable services, the Group shall take into consideration the specifications of the services, cost structure, profit margin, transaction amount and market condition. The prices and other terms of the Group's provision of processing service to the Lepu Medical Group shall be no less favourable to the Group than those offered to other independent third-party purchasers by the Group at the relevant time.

Purchase of Medical Devices Molds and Components

On December 14, 2022 (after trading hours), the Company entered into the Purchase of Medical Devices Molds and Components Framework Agreement with Lepu Medical, pursuant to which the Group agreed to purchase medical devices molds and components from Lepu Medical Group, including but not limited to molds of shell, end cover, end cap, support ring, tie-in ring, sealing ring, pipe clamp and connector, injection molded parts or other components of blood purification products. As the Purchase of Medical Devices Molds and Components Framework Agreement has expired on December 31, 2023, on January 1, 2024, the Company has entered into the Renewed Purchase of Medical Devices Molds and Components Framework Agreement to renew the Purchase of Medical Devices Molds and Components Framework Agreement.

As the Renewed Purchase of Medical Devices Molds and Components Framework Agreement has expired on December 31, 2024, on October 18, 2024 (after trading hours), the Company has entered into the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement with Lepu Medical to renew the Renewed Purchase of Medical Devices Molds and Components Framework Agreement.

The Company considers that the Renewed Purchase of Medical Devices Molds and Components Framework Agreement and the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement beneficial to the Company's business development for the following reasons:

- (i) the Group is expanding its business of sales of blood purification products and regenerative medical biomaterial products and the Group requires the relevant molds and components and medical biomaterial of these products for its production;
- (ii) Lepu Medical Group can provide competitive prices or terms of those molds and components and medical biomaterial compared with other independent third-party suppliers, without compromising the Group's ability to continue its existing purchase from independent third-party suppliers; and
- (iii) they allow the Group to maintain a strong strategic and business relationship with Lepu Medical Group, thereby generating synergy potential and mutual economic benefits between the Group and Lepu Medical Group.

Term

The term of the Renewed Purchase of Medical Devices Molds and Components Framework Agreement commenced from January 1, 2024 to December 31, 2024, subject to renewal upon parties' mutual agreement and the Listing Rules.

The term of the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement will commence from January 1, 2025 to December 31, 2027, subject to renewal upon parties' mutual agreement and the Listing Rules.

Pricing Policy

The prices of the medical devices molds and components purchased by the Group under the Renewed Purchase of Medical Devices Molds and Components Framework Agreement and the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement shall be determined with reference to the quantity of orders, the type and quality of products and the prevailing market prices of comparable medical devices molds and components from at least two independent third parties. The prices and other terms of the Group's purchase of medical devices molds and components from Lepu Medical Group shall be no less favourable to the Group than those offered by other independent third party suppliers at the relevant time.

Listing Rules Implications

Although Dr. Pu did not control more than 30% shareholding of Lepu Medical and was not able to control the majority of the composition of the board of Lepu Medical, the Company considers Lepu Medical as an associate of Ms. Yue'e Zhang, the executive Director, because Dr. Pu is deemed as the actual controller (實際控制人) of Lepu Medical by the Shenzhen Stock Exchange. Therefore, the Company considers that Lepu Medical is a connected person of the Company. Accordingly, the transactions contemplated under the Purchase of Medical Devices Molds and Components Framework Agreement constitute a continuing connected transaction of the Company.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the maximum annual cap for the continuing connected transactions contemplated under each of the Sales of Medical Devices Framework Agreement and the Renewed Sales of Medical Devices Framework Agreement exceed 5%, each of the Sales of Medical Devices Framework Agreement, the Renewed Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the annual caps) are subject to annual review, reporting, announcement, circular (including independent financial advice) and approval by the Independent Shareholders at the extraordinary general meeting of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the maximum annual cap for the continuing connected transactions contemplated under each of the Medical Products Processing Services Framework Agreement, the Renewed Medical Products Processing Services Framework Agreement, the Renewed Purchase of Medical Devices Molds and Components Framework Agreement and the Second Renewed Purchase of Medical Devices Molds and Components Framework agreement exceed 0.1% but all less than 5%, each of the Medical Products Processing Services Framework Agreement, the Renewed Medical Products Processing Services Framework Agreement, the Renewed Purchase of Medical Devices Molds and Components Framework Agreement and the Second Renewed Purchase of Medical Devices Molds and Components Framework agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

For further details, please refer to the announcements of the Company dated January 2, 2024 and October 18, 2024, and the circular of the Company dated November 20, 2024. The continuing connected transactions did not exceed the approved annual cap.

Annual review of the continuing connected transactions

All independent non-executive Directors have reviewed the continuing connected transaction and confirmed that this transaction was entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) in accordance with the relevant agreement governing it and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Directors' Report

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Main Board Listing Rule 14A.56.

Save as disclosed above, during the year ended December 31, 2023, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2024 are set out in Note 36 to the consolidated financial statements contained herein.

Save as disclosed in the paragraph headed "Continuing Connected Transactions" in this annual report, the related party transactions disclosed in Note 36 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

PROPOSED LISTING OF SICHUAN RUIJIAN MEDICAL ON BEIJING STOCK EXCHANGE

As of the date of this annual report, the NEEQS Quotation was approved by the NEEQ Co., Ltd. and was successfully completed. It is proposed that Sichuan Ruijian Medical will proceed the Subsequent Listing and submit the application for the Subsequent Listing to the Beijing Stock Exchange. The Subsequent Listing will involve issue of new Offer Shares of Sichuan Ruijian Medical and the Offer Shares will only be issued in the PRC. The completion of the Subsequent Listing is subject to fulfillment of the conditions set out in the section headed "Conditions of the Subsequent Listing" in the circular of the Company dated January 21, 2025. It is intended that the number of Offer Shares to be issued under the Subsequent Listing will be (i) no more than 43,000,000 Offer Shares (assuming the Over-Allotment Option is not exercised) (representing approximately 14.0% of the total number of shares of Sichuan Ruijian Medical in issue as of the date of this annual report, and 12.3% of the total number of shares of Sichuan Ruijian Medical as enlarged by the Subsequent Listing); or (ii) no more than 49,450,000 Offer Shares (assuming the Over-Allotment Option is fully exercised) (representing approximately 16.1% of the total number of shares of Sichuan Ruijian Medical in issue as of the date of this annual report, and 13.9% of the total number of shares of Sichuan Ruijian Medical as enlarged by the Subsequent Listing). The actual number of the Offer Shares will be determined at a later stage subject to regulatory approvals by the Beijing Stock Exchange, the CSRC, discussions among the board of Sichuan Ruijian Medical, the lead underwriter of the Subsequent Listing and in particular, subject to market conditions. It is expected that Sichuan Ruijian Medical will remain as a subsidiary of the Company upon completion of the Subsequent Listing subject to the Company and its auditor's final assessment under HKFRS. It is intended that the results of the Sichuan Ruijian Medical Group will continue to be consolidated by the Company.

Sichuan Ruijian Medical has submitted the application for the Subsequent Listing to the Beijing Stock Exchange on March 25, 2025, while the completion date of the Subsequent Listing will be subject to (i) the vetting process of the relevant listing application by Beijing Stock Exchange, CSRC and other relevant governmental and regulatory authorities, and (ii) market conditions. The Company will provide further update on the progress of the Subsequent Listing as and when appropriate.

The shares of Sichuan Ruijian Medical will cease to be quoted on the NEEQs on the first day of listing on the Beijing Stock Exchange.

Listing Rules Implications

As of the date of this annual report, Sichuan Ruijian Medical is a non-wholly-owned subsidiary of the Company. The Subsequent Listing is expected to involve the issue of new A-shares of Sichuan Ruijian Medical by way of public offer. It is intended that the maximum number of the Offer Shares under the Subsequent Listing will be approximately 13.9% (including the shares to be issued under the exercise of the Over-allotment Option) of the enlarged issued share capital of Sichuan Ruijian Medical after the Subsequent Listing, following which the ownership of the Company in Sichuan Ruijian Medical will be diluted to not less than 41.76%. Accordingly, the Subsequent Listing, if materialized, will constitute a deemed disposal of the Company's shareholding in Sichuan Ruijian Medical under Rule 14.29 of the Listing Rules. As one or more applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Subsequent Listing is expected to exceed 25% but be less than 75%. Accordingly, the Subsequent Listing, if consummated, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under Rule 14.40 of the Listing Rules.

For further details, please refer to the announcements of the Company dated May 20, 2024, July 2, 2024, October 2, 2024, December 5, 2024 and December 9, 2024, the circular of the Company dated January 21, 2025, and the poll results announcement of the Company dated February 13, 2025.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period and up to the date of this annual report.

AUDIT COMMITTEE

The Audit Committee had, together with the management of the Company, reviewed the consolidated financial statements of the Group for the year ended December 31, 2024 and the accounting principles and policies adopted by the Group.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2024 were audited by BDO Limited.

BDO Limited has been re-appointed as the auditor of the Company since the annual general meeting of the Company held on June 14, 2024.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2024, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board

Yue'e ZHANG

Chairman

Hong Kong, 28 March, 2025

Independent Auditor's Report



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TO THE SHAREHOLDERS OF PW MEDTECH GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of PW Medtech Group Limited (the “Company”) and its subsidiaries (together the “Group”) set out on page 100 to 180, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of non-financial assets

As at 31 December 2024, the carrying amounts of property, plant and equipment and intangible assets including goodwill and right-of-use assets, approximately RMB891,691,000, RMB1,632,385,000 and RMB30,330,000 respectively, were allocated to their corresponding cash-generating units (“CGUs”).

Independent Auditor's Report

We identified the impairment assessment of non-financial assets as a key audit matter because of its significance to the consolidated financial statements and because estimation of the value-in-use calculation of respective CGUs involve significant management judgement with the respect to its underlying cash flow forecasts, discount rate and future growth rates and the estimation of fair value less cost of disposal.

As required by accounting standards, management assesses respective CGUs containing goodwill for impairment on an annual basis. The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, requires judgement of management. Recoverable amounts are based on management's estimation of short term and long term revenue growth rate forecast, and profit margin forecast and discount rate used in the cash-flow forecast. As detailed in note 18 to the consolidated financial statements and no impairment loss has been made on respective CGUs.

The accounting policy, significant accounting judgements and estimates, key assumptions used in the impairment model and disclosures are included in note 4.8, 5(d) and 18 to the consolidated financial statements.

Our response:

Our procedures in relation to management's impairment assessment of non-financial assets included:

- Testing the mathematical accuracy of cash-flow forecasts of respective CGUs;
- Challenging the reasonableness of key assumptions adopted in the valuation, such as the discount rate, based on our knowledge of the business and industry and available market data;
- Conducting in-depth discussions with the management about the cash flow projections used in the value-in-use calculation and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the value-in-use calculation;
- Involving our internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group and external experts;
- Performing sensitivity analysis on the key drivers of the cash flow forecast, including profit margin, long term growth rate and discount rate; and
- Reconciling input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts.

Fair value measurement of investment properties

As at 31 December 2024, the fair value of investment properties was approximately RMB262,880,000 with a fair value loss of approximately RMB1,182,000 recognised in profit or loss for the year. The fair value of the investment properties was arrived on the basis of the valuation carried out by an independent valuation firm.

We have identified the fair value measurement of investment properties as a key audit matter because of its significant to the consolidated financial statements and the valuation of the Group's investment properties are dependent on valuation model used by management, certain key assumptions and estimations that require significance management judgement.

The accounting policy, significant accounting judgements and estimates and details of the valuation technique and significant unobservable inputs used in valuation are included in notes 4.7, 5(c) and 16 to the consolidated financial statements.

Our response:

Our procedures in relation to management's fair value measurement of investment properties included:

- Conducting in-depth discussions with management about the cash flow projections used in the income approach calculation and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the income approach calculation;
- Involving our internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group and external experts;
- Assessing the valuation methodology; and
- Evaluating the competence, capabilities, and objectivity of the valuer and obtaining an understanding of the valuer's scope of work and their terms of engagement.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Ng Wai Man

Practising Certificate number P05309

Hong Kong, 28 March 2025

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	6(b)	768,903	675,084
Cost of sales		(349,455)	(294,187)
Gross profit		419,448	380,897
Other gains — net	7	46,212	48,896
Loss on disposal of subsidiaries	35	—	(6,100)
Fair value loss on investment properties	16	(1,182)	(61)
Selling and marketing expenses		(84,082)	(76,086)
General and administrative expenses		(156,795)	(119,020)
Research and development expenses		(44,120)	(41,130)
Operating profit		179,481	187,396
Finance income, net	8	50,272	43,671
Profit before income tax	9	229,753	231,067
Income tax expense	11	(37,231)	(26,044)
Profit for the year		192,522	205,023
Other comprehensive expense			
Items that will not be subsequently reclassified to profit or loss			
Currency translation differences		(2,748)	(6,044)
Change in fair value of financial assets at fair value through other comprehensive income		(15,403)	(29,908)
Other comprehensive expense for the year		(18,151)	(35,952)
Total comprehensive income for the year		174,371	169,071

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Profit for the year attributable to:			
Owners of the Company		150,780	153,184
Non-controlling interests		41,742	51,839
		192,522	205,023
Total comprehensive income for the year attributable to:			
Owners of the Company		132,629	117,232
Non-controlling interests		41,742	51,839
		174,371	169,071
Earnings per share attributable to owners of the Company for the year:		RMB cents	RMB cents
Basic earnings per share	13	9.77	9.78
Diluted earnings per share	13	9.77	9.78

Consolidated Statement of Financial Position

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	891,691	906,872
Right-of-use assets	15	30,330	26,133
Investment properties	16	262,880	264,878
Intangible assets	17	1,068,300	1,096,987
Goodwill	18	564,085	564,085
Deferred tax assets	19	10,128	10,291
Long-term prepayments		12,732	9,941
Non-current financial assets	20	46,544	61,280
Loan receivables	21	180,000	180,000
		3,066,690	3,120,467
Current assets			
Inventories	22	120,282	136,605
Trade and other receivables	23	166,825	180,421
Loan receivables, net of provision	21	120,000	120,000
Cash and cash equivalents	37(a)	1,681,984	1,589,656
Financial assets at fair value through profit or loss	24	5,148	4,900
		2,094,239	2,031,582
Total assets		5,160,929	5,152,049
Current liabilities			
Trade and other payables	25	138,944	130,080
Lease liabilities	15	1,697	759
Contract liabilities	26	19,761	7,766
Tax payables		17,038	10,658
		177,440	149,263
Net current assets		1,916,799	1,882,319
Non-current liabilities			
Lease liabilities	15	4,577	369
Bank borrowing	27	5,800	—
Deferred tax liabilities	19	148,435	154,712
Deferred government grants	28	21,309	22,720
		180,121	177,801
NET ASSETS		4,803,368	4,824,985

Consolidated Statement of Financial Position

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	939	962
Share premium		1,409,678	1,489,876
Retained earnings		2,177,147	2,160,733
Reserves	30	383,637	392,770
		3,971,401	4,044,341
Non-controlling interests	31	831,967	780,644
		4,803,368	4,824,985
TOTAL EQUITY		4,803,368	4,824,985

The financial statements on pages 100 to 180 were approved by the Board of Directors on 28 March 2025 and were signed on its behalf by:

Yue'e Zhang
DIRECTOR

LIN Junshan
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves (note 30) RMB'000	Retained earnings RMB'000	Attributable to owners at the Company RMB'000	Non-controlling interests (note 31) RMB'000	Total equity RMB'000
Balance as at 1 January 2023	962	1,489,876	—	428,837	2,025,548	3,945,223	692,332	4,637,555
Comprehensive income								
Profit for the year	—	—	—	—	153,184	153,184	51,839	205,023
Other comprehensive expense								
Currency translation differences	—	—	—	(6,044)	—	(6,044)	—	(6,044)
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	(29,908)	—	(29,908)	—	(29,908)
Total comprehensive income for the year	—	—	—	(35,952)	153,184	117,232	51,839	169,071
Lapse of share options	—	—	—	(115)	115	—	—	—
Contribution from non-controlling interest	—	—	—	—	—	—	140,000	140,000
Change in ownership in interest in a subsidiary without change of control (note 34)	—	—	—	—	53,483	53,483	(53,483)	—
Payment of dividend to a subsidiary's non-controlling interests	—	—	—	—	—	—	(50,044)	(50,044)
2023 interim dividend paid (note 12)	—	—	—	—	(71,597)	(71,597)	—	(71,597)
Total transaction with owners	—	—	—	(115)	(17,999)	(18,114)	36,473	18,359
At 31 December 2023	962	1,489,876	—	392,770	2,160,733	4,044,341	780,644	4,824,985
Comprehensive income								
Profit for the year	—	—	—	—	150,780	150,780	41,742	192,522
Other comprehensive expense								
Currency translation differences	—	—	—	(2,748)	—	(2,748)	—	(2,748)
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	(15,403)	—	(15,403)	—	(15,403)
Total comprehensive income for the year	—	—	—	(18,151)	150,780	132,629	41,742	174,371
Share-based payment by a non-wholly owned subsidiary	—	—	—	9,018	—	9,018	9,581	18,599
Buy-back shares	—	—	(80,221)	—	—	(80,221)	—	(80,221)
Cancellation of shares	(23)	(33,398)	33,421	—	—	—	—	—
2023 dividend paid (note 12)	—	—	—	—	(71,661)	(71,661)	—	(71,661)
2024 interim dividend paid (note 12)	—	—	—	—	(62,705)	(62,705)	—	(62,705)
Total transaction with owners	(23)	(33,398)	(46,800)	9,018	(134,366)	(205,569)	9,581	(195,988)
At 31 December 2024	939	1,456,478	(46,800)	383,637	2,177,147	3,971,401	831,967	4,803,368

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Profit before income tax		229,753	231,067
Adjustments for:			
Depreciation of property, plant and equipment	14	71,024	66,919
Depreciation of right-of-use assets	15	2,452	1,276
Amortisation of intangible assets	17	44,270	30,066
Loss on disposal of property, plant and equipment, net	7	107	1,039
Loss on disposal of a subsidiary		—	6,100
Fair value loss on investment properties	16	1,182	61
Loss on guarantee liability	7	734	734
Interest expense	8	374	154
Interest income	8	(50,646)	(43,825)
Unrealised exchange gains		(8,300)	(12,742)
Write-off other payables	7	—	(1,978)
Write-off other receivables	9	260	900
Impairment loss of inventories	9	1,087	197
Reversal of impairment loss recognised in respect of loan receivables	9	—	(4,706)
Share based payments	33	18,599	—
Reversal of impairment losses recognised in respect of trade receivables, net	41(b)	(2,672)	(4,174)
Operating cash flows before movements in working capital		308,224	271,088
Decrease/(increase) in inventories		15,236	(4,574)
Decrease/(increase) in trade and other receivables		13,946	(11,486)
Increase in trade and other payables		7,401	5,654
Increase/(decrease) in contract liabilities		11,995	(4,696)
Decrease in deferred government grants		(1,411)	(394)
Cash generated from operations		355,391	255,592
Income taxes paid		(36,965)	(44,561)
NET CASH GENERATED FROM OPERATING ACTIVITIES		318,426	211,031
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(10,196)	(7,758)
Purchases of intangible assets		(15,583)	(34,605)
Payments for development costs of construction in progress		(46,303)	(39,548)
Interest received		50,646	43,825
Proceeds from disposal of property, plant and equipment		549	3,703
Proceeds from disposal of investment property		816	—
Proceeds from disposal of financial assets at fair value through profit or loss		672,750	663,730
Purchases for acquisition of financial assets at fair value through profit or loss		(672,998)	(663,000)
Net cash inflow from disposal of a subsidiary	35	—	35,988
Net cash outflow from loan to independent third parties		—	(29,000)
NET CASH USED IN INVESTING ACTIVITIES		(20,319)	(26,665)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
FINANCING ACTIVITIES			
Repayment for lease liabilities	37(b)	(1,503)	(671)
Proceeds from capital contribution to a subsidiary by non-controlling interests	34	—	140,000
Payment for repurchase of shares	29	(80,221)	—
Proceeds from new bank borrowings		5,800	—
Payment of dividend to a subsidiary's non-controlling interests		—	(50,044)
Dividend paid		(134,366)	(71,597)
Interest paid	37(b)	(374)	(154)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(210,664)	17,534
NET INCREASE IN CASH AND CASH EQUIVALENTS		87,443	201,900
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		4,885	5,839
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,589,656	1,381,917
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Represented by bank balances and cash		1,681,984	1,589,656

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. GENERAL

PW Medtech Group Limited (the “Company”) was incorporated in the Cayman Islands on 13 May 2011 as an exempted company with limited liability under the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is 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”), hemodialysis and blood purification medical devices (the “Blood Purification Business”) and animal-derived regenerative medical biomaterials and human tissue repair alternative products (the “Regenerative Medical Biomaterial 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 (“HKFRS ACCOUNTING STANDARDS”)

(a) Adoption of new/revised HKFRS Accounting Standards — effective 1 January 2024

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKFRS 1	Classification of Liabilities as Current or Non-current (the “2020 Amendments”)
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “2022 Amendments”)
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

None of these new or amended HKFRS Accounting Standards has a material impact on the Company’s results and financial position for the current or prior period. The Company has not early applied any new or amended HKFRS Accounting Standards that is not yet effective for the current accounting period.

(b) Potential impact arising on HKFRS Accounting Standards not yet effective

The following new or amended HKFRS Accounting Standards, potentially relevant to the Company’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Company. The Company’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7 HKFRS 18	Contracts Referencing Nature-dependent Electricity ³ Presentation and Disclosure in Financial Statements Supplier Finance Arrangement ⁴
HKFRS 19	Subsidiaries Without Public Accountability: Disclosures ⁴

¹ No mandatory effective date yet determined but available for adoption.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS ACCOUNTING STANDARDS”) (Continued)

(b) Potential impact arising on HKFRS Accounting Standards not yet effective (Continued)

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Company is as follows:

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Company’s financial statements.

Amendments to HKAS 21, Lack of Exchangeability

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate the comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Company’s financial statements.

Amendments to HKFRS 9 and HKFRS 7, Amendments to the Classification and Measurement of Financial Instruments

HKICPA issued targeted amendments to HKFRS 9 and HKFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The directors of the Company do not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS ACCOUNTING STANDARDS”) (Continued)

(b) Potential impact arising on HKFRS Accounting Standards not yet effective (Continued)

Amendments to HKFRS 9 and HKFRS 7, Contracts Referencing Nature-dependent Electricity

On 18 December 2024 the HKICPA issued amendments to improve the reporting by companies of the financial effects of nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs). Nature-dependent electricity contracts assist companies to secure their electricity supply from wind and solar power sources. Since the amount of electricity generated under these contracts may vary based on uncontrollable factors related to weather conditions, current accounting requirements may not adequately capture how these contracts affect a company's performance. In response, the HKICPA has made targeted amendments to HKFRS 9 Financial Instruments and HKFRS 7 Financial Instruments: Disclosures to improve the disclosure of these contracts in the financial statements. The amendments include:

- Clarifying the application of the ‘own-use’ requirements;
- Permitting hedge accounting if these contracts are used as hedging instruments; and
- Adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The directors of the Company do not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

HKFRS 18, Presentation and Disclosure in Financial Statements Supplier Finance Arrangements

HKFRS 18 will replace HKAS 1 “Presentation of financial statements”, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Company are currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS ACCOUNTING STANDARDS”) (Continued)

(b) Potential impact arising on HKFRS Accounting Standards not yet effective (Continued)

HKFRS 19, Subsidiaries Without Public Accountability: Disclosures

On 9 May 2024, the HKICPA issued HKFRS 19 Subsidiaries without Public Accountability: Disclosures.

Stakeholders have asked the HKICPA to permit a subsidiary reporting to a parent applying HKFRS Accounting Standards in its consolidated financial statements to apply HKFRS Accounting Standards with reduced disclosure requirements in its own financial statements. Considering this feedback, the HKICPA added a project to its research pipeline to provide reduced disclosure requirements for subsidiaries without public accountability. The project has culminated in the issuance of HKFRS 19, which permits eligible subsidiaries to apply reduced disclosure requirements while applying the recognition, measurement and presentation requirements in HKFRS Accounting Standards.

For example, under HKFRS 19, an entity that has transactions within the scope of HKFRS 2 Share-based Payment would not apply the disclosure requirements in HKFRS 2.44-52, which are extensive. Instead, an entity would disclose only the information contained in paragraphs 31-34 of HKFRS 19, which include a description of share-based payment arrangements, the number and weighted average exercise prices of share options, how an entity measures the fair value of equity settled share-based payment transactions and other general information about transactions in the scope of HKFRS 2.

As an indication of the scope of the reduction in disclosure requirements, HKFRS 2 currently contains 991 words in its disclosure requirements, whereas HKFRS 19 contains only 250 words relating to HKFRS 2 disclosures. The eligibility criteria for an entity to apply HKFRS 19 are:

- The entity is a subsidiary (as defined in Appendix A of HKFRS 10 Consolidated Financial Statements);
- The entity does not have public accountability; and
- The entity has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with HKFRS Accounting Standards.

An entity has public accountability if:

- Its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market; or
- It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses

The directors of the Company do not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS Accounting Standards") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA"). In addition, the consolidated financial statement include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited including the disclosure provisions of the Hong Kong Companies Ordinance.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

3.3 Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

4. ACCOUNTING POLICIES

4.1 Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4. ACCOUNTING POLICIES (Continued)

4.4 Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(ii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- (2) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. ACCOUNTING POLICIES (Continued)

4.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings and facilities	10–48 years
— Leasehold improvements	Shorter of remaining lease term or useful lives
— Furniture, fittings and office equipment	3–10 years
— Machinery and equipment	5–10 years
— Motor vehicles	5 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate classes of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses-net" in the consolidated statement of comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. ACCOUNTING POLICIES (Continued)

4.6 Intangible assets

(i) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposals. Any impairment is recognised immediately as an expense and is not subsequently reversed (see note 18), and whenever there is an indication that the unit may be impaired.

(ii) Customer relationship

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date.

(iii) Trademarks and technology know-how and patents

Separately acquired trademarks and technology know-how and patents at historical cost. Trademarks and technology know-how and patents acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and technology know-how and patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

(iv) Internally generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on internally developed products is capitalised if it can be demonstrated that

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the Group is able to sell the product
- sale of the product will generate future economic benefits, and
- expenditure on the project can be measured reliably.

4. ACCOUNTING POLICIES (Continued)

4.6 Intangible assets (Continued)

(iv) Internally generated intangible assets — research and development expenditure (Continued)

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line or administrative expenses in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

(v) Amortisation methods and periods

The amortisation expense is recognised in profit or loss and included in selling and administrative expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

— Customer relationship	6 years
— Trademarks and technology know-how and patents	15–20 years
— Computer software	5 years

(vi) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(vii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(viii) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 17).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

4. ACCOUNTING POLICIES (Continued)

4.7 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

4.8 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment in subsidiary;
- goodwill and other intangible assets; and
- right-of-use assets

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS Accounting Standards, in which case the impairment loss is treated as a revaluation decrease under that HKFRS Accounting Standards.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another HKFRS Accounting Standards, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS Accounting Standards.

Value in use is based on the estimated future cash flows expected to be derived from CGU (see note 4.6(i)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. ACCOUNTING POLICIES (Continued)

4.9 Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are one measurement category into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income ("FVTOCI") are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVTOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4. ACCOUNTING POLICIES (Continued)

4.9 Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the trade receivables and the economic environment.

For other financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In making the reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 3 years past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

4. ACCOUNTING POLICIES (Continued)

4.9 Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. ACCOUNTING POLICIES (Continued)

4.9 Financial Instruments (Continued)

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The cost excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

4.12 Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4. ACCOUNTING POLICIES (Continued)

4.12 Income taxes (Continued)

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

4.13 Employee benefits

(i) Pension obligations

The full-time employees of the Group in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined contribution pension plans even if the staff leaves the Group.

4. ACCOUNTING POLICIES (Continued)

4.13 Employee benefits (Continued)

(ii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Share-based payment

When shares of a subsidiary of the Company are awarded by its non-controlling shareholder (grantor) to employees, the fair value of the services received by the subsidiary is measured by reference to the fair value of the shares granted less the consideration paid by the subsidiary's employees to the grantor. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the capital reserve in the Group's consolidated financial statements.

4.14 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

4.15 Revenue recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

4. ACCOUNTING POLICIES (Continued)

4.15 Revenue recognition (Continued)

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

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Sale of advanced infusion set products

Sale of infusion set products are recognised when the customer takes possession of and accepts the products. This is usually taken as the time when the goods are delivered and the customer has accepted the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. There is generally only one performance obligation. Invoices are issued when the customer takes possession of and accepts the products and are usually payable within 180 days from the date of billing. No significant financial component existed. The transaction price is determined based on a stand-alone selling price specified in the contracts for advanced infusion set products.

Sale of medical device for blood purification

Sale of medical device for blood purification are recognised when the customer takes possession of and accepts the products. This is usually taken as the time when the goods are delivered and the customer has accepted the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. There is generally only one performance obligation. Invoices are issued when the customer takes possession of and accepts the products and are usually payable within 120 days from the date of billing. No significant financial component existed. The transaction price is determined based on a stand-alone selling price specified in the contracts for advanced medical device for blood purification.

Rental income

Rental income under operating leases is recognised by the Group as the lessor on a straight-line basis over the term of the relevant lease.

Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

4. ACCOUNTING POLICIES (Continued)

4.16 Leases

(i) As a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property (see note 4.7), they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use (see note 4.5), they are carried at revalued amount.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at revalued amount. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

4. ACCOUNTING POLICIES (Continued)

4.16 Leases (Continued)

(i) As a lessee (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- a. fixed lease payments less any lease incentives receivable;
- b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- c. amounts expected to be payable by the lessee under residual value guarantees;
- d. exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- e. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

(ii) As a lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4. ACCOUNTING POLICIES (Continued)

4.17 Related parties

- (i) A person or a close member of that person's family is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of key management personnel of the Group or the Company's parent.
- (ii) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Provision for taxes

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

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

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

(b) Useful lives of property, plant and equipment and intangible assets

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

(c) Investment properties

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 16 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties. The fair value of investment properties as at 31 December 2024 was RMB262,880,000 (2023: RMB264,878,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(d) Impairment of goodwill, other intangible assets and property, plant and equipment

Goodwill, other intangible assets, property, plant and equipment are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment, goodwill are required to be tested annually for impairment. For the purpose of impairment testing, goodwill has been allocated to the CGU operating in the infusion set business.

Determining whether goodwill and other assets allocated to CGU is impaired requires an estimation of the value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Further information on the impairment assessment on the CGU are provided in note 18.

(e) Fair value of measurement

A number of asset and liabilities included in the Group's financial statements require measurement at, and disclosure of, fair value.

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

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

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

The Group measures and disclose financial assets at fair value through profit or loss/other comprehensive income (note 38(b)) at fair value.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

(f) Impairment of financial assets

The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 38(b).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(f) Impairment of financial assets (Continued)

For the year ended 31 December 2024, the Group recorded a reversal allowance for expected credit losses of RMB2,672,000, reflecting a improvement in the credit quality of its related trade receivables as a results of the three credit-impaired customers decrease in risk of default. The management has incorporated their judgements on deciding forward-looking factors in the calculation of expected credit losses. Management's judgements regarding expected credit losses are based on the facts available to management currently.

6. REVENUE AND SEGMENT INFORMATION

(a) Business segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision maker is identified as the executive director of the Company. The chief operating decision maker 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 three segments are summarised as follows:

- the “Infusion Set Business” segment represents the R&D, manufacturing and sales of advanced infusion set, intravenous cannula products, insulin needles, etc;
- the “Blood Purification Business” segment represents the R&D, manufacturing and sales of hemodialysis and blood purification medical devices; and
- the “Regenerative Medical Biomaterials Business” segment represents the R&D and manufacturing of animal-derived 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, right-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 (note 14), right-of-use assets (note 15), intangible assets (note 17) and other non-current assets.

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For the year ended 31 December 2024

6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

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

(i) For the year ended 31 December 2024:

The segment results for the year ended 31 December 2024 are as follows:

	Infusion Set RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Consolidated RMB'000
Segment revenue from external customers	286,646	482,257	—	768,903
Segment results (Operating profit)	90,767	129,412	(41,464)	178,715
Fair value loss on investment properties				(1,182)
Finance income				50,646
Finance cost				(374)
Unallocated profit				1,948
Profit before taxation				229,753
Income tax expense				(37,231)
Profit for the year				192,522
Other segment items				
Depreciation of property, plant and equipment	32,074	38,153	797	71,024
Depreciation of right-of-use assets	406	1,520	526	2,452
Amortisation of intangible assets	3,230	18,666	22,374	44,270
(Reversal of)/provision for impairment losses recognised in respect of trade receivables, net	(2,810)	138	—	(2,672)

The segment assets and liabilities as at 31 December 2024 are as follows:

	Infusion Set RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Consolidated RMB'000
Assets				
Segment assets	1,382,612	1,477,849	977,330	3,837,791
Deferred tax assets				10,128
Non-current financial assets				46,544
Unallocated assets				1,266,466
Total assets				5,160,929
Liabilities				
Segment liabilities	109,971	68,801	9,548	188,320
Deferred tax liabilities				148,435
Tax payables				17,038
Unallocated liabilities				3,768
Total liabilities				357,561

6. REVENUE AND SEGMENT INFORMATION (Continued)**(a) Business segments (Continued)**

(ii) For the year ended 31 December 2023:

The segment results for the year ended 31 December 2023 are as follows:

	Infusion Set RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Consolidated RMB'000
Segment revenue from external customers	281,063	394,021	—	675,084
Segment results (Operating profit)	92,751	137,324	(25,051)	205,024
Fair value loss on investment properties				(61)
Loss on disposal of a subsidiary				(6,100)
Finance income				43,825
Finance cost				(154)
Unallocated loss				(11,467)
Profit before taxation				231,067
Income tax expense				(26,044)
Profit for the year				205,023
Other segment items				
Depreciation of property, plant and equipment	34,576	31,445	898	66,919
Depreciation of right-of-use assets	406	464	406	1,276
Amortisation of intangible assets	3,232	18,664	8,170	30,066
Reversal of impairment losses recognised in respect of loan receivables	(4,706)	—	—	(4,706)
(Reversal of)/provision for impairment losses recognised in respect of trade receivables, net	(4,361)	187	—	(4,174)

The segment assets and liabilities as at 31 December 2023 are as follows:

	Infusion Set RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Consolidated RMB'000
Assets				
Segment assets	1,597,940	1,334,343	1,013,385	3,945,668
Deferred tax assets				10,291
Non-current financial assets				61,280
Unallocated assets				1,134,810
Total assets				5,152,049
Liabilities				
Segment liabilities	97,703	53,631	6,156	157,490
Deferred tax liabilities				154,712
Tax payables				10,658
Unallocated liabilities				4,204
Total liabilities				327,064

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6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

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.

	2024 RMB'000	2023 RMB'000
Geographical markets		
China	643,933	606,231
India	39,673	24,467
Americas (excluding U.S.)	21,167	13,520
Africa	18,114	6,826
Others	46,016	24,040
Total	768,903	675,084

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.

6. REVENUE AND SEGMENT INFORMATION (Continued)**(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 RMB'000	Blood Purification RMB'000	Regenerative Medical Biomaterials RMB'000	Total RMB'000
Revenue from contracts with customers within the scope of HKFRS 15				
For the year ended 31 December 2024				
Revenue from hospitals	33,080	4,348	—	37,428
Revenue from medical products distributors	253,566	477,909	—	731,475
Total	286,646	482,257	—	768,903
For the year ended 31 December 2023				
Revenue from hospitals	33,809	3,732	—	37,541
Revenue from medical products distributors	247,254	390,289	—	637,543
Total	281,063	394,021	—	675,084
Timing of revenue recognition				
For the year ended 31 December 2024				
At a point in time	286,646	482,257	—	768,903
For the year ended 31 December 2023				
At a point in time	281,063	394,021	—	675,084

(c) Concentration of customers

There was no single customer that contributed to 10% or more of the Group's revenue for the years ended 31 December 2024 and 2023.

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For the year ended 31 December 2024

7. OTHER GAINS — NET

	2024 RMB'000	2023 RMB'000
Government grants	4,581	17,953
Rental income	17,819	14,360
Property management fee income	5,865	7,961
Loss on disposal of property, plant and equipment	(107)	(1,039)
Loss on guarantee liability (note (i))	(734)	(734)
Net foreign exchange gain	7,499	3,491
Compensation income (note (ii))	10,230	—
Processing income	—	4,209
Write-off other payables	—	1,978
Others	1,059	717
Other gains — net	46,212	48,896

Notes:

- (i) 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 and accumulated interest for a defaulted loan granted by a bank, which Xuzhou Yijia had undertaken a joint guarantee with another independent guarantor.

After assessing the risk relating to the joint guarantee liability, the directors 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 2024 and 2023 represents the interest accrued for the period on the guarantee liability.

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

- (ii) On 20 May 2014, the Group entered into a sales and purchase agreement ("S&P Agreement") with independent third parties ("Prior Shareholders") to acquire 100% of Beijing Tianxinfu Medical Appliance Co., Ltd. ("Beijing Tianxinfu") which was subsequently disposed of to another third party in 2017. Under the S&P agreement, all historical debts and liabilities incurred before the acquisition closing date remained the responsibility of the prior shareholders. In December 2024, after negotiation, the Group signed a 'Settlement Agreement' with these prior shareholders, to resolve certain outstanding historical debts and received approximately RMB10.2 million in compensation which covered the loss suffered by the Group in prior years.

8. FINANCE INCOME, NET

	2024 RMB'000	2023 RMB'000
Finance income		
Bank Interest income	32,093	22,635
Interest income on wealth management product	2,668	4,154
Loan interest income	15,885	17,036
	50,646	43,825
Finance costs		
Interest on bank borrowings	(95)	—
Interest on lease liabilities	(279)	(154)
	(374)	(154)
Finance income — net	50,272	43,671

9. PROFIT BEFORE INCOME TAX

	2024 RMB'000	2023 RMB'000
Profit before taxation has been arrived at after charging/(crediting):		
Directors' emoluments (note 10)	2,217	2,205
Staff costs (excluding directors' emoluments):		
Wages, salaries and bonuses	88,159	88,711
Share-based payment (note 33)	18,599	—
Staff welfare	7,613	7,345
Social security costs	14,460	12,033
Housing fund	2,923	1,459
Total staff costs	133,971	111,753
Auditor's remuneration:		
— Audit services	2,040	2,085
— Other services	1,190	1,063
Write-off other receivables	260	900
Impairment loss of inventories	1,087	197
Reversal of impairment losses recognised in respect of trade receivables, net	(2,672)	(4,174)
Reversal of impairment losses recognised in respect of loan receivables	—	(4,706)
Depreciation of property, plant and equipment (note 14)	71,024	66,919
Depreciation of right-of-use assets (note 15)		
— Properties	1,853	676
— Leasehold land and land use right	599	600
Amortisation of intangible assets (note 17)	44,270	30,066
Raw materials and consumable used	220,807	194,617
Research and development expenses	59,703	75,735
Less: amount capitalised in intangible assets	(15,583)	(34,605)
	44,120	41,130

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10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the six (2023: six) directors were as follows:

For the year ended 31 December 2024	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chief executive officer and officer and executive director						
— Ms. Yue'e ZHANG	—	1,068	—	—	—	1,068
Non-executive directors						
— Mr. JIANG Liwei	300	—	—	—	—	300
— Mr. LIN Junshan	300	—	—	—	—	300
Independent non-executive directors						
— Mr. CHEN Geng	183	—	—	—	—	183
— Mr. WANG Xiaogang	183	—	—	—	—	183
— Ms. WANG Fengli	183	—	—	—	—	183
	1,149	1,068	—	—	—	2,217

For the year ended 31 December 2023	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chief executive officer and officer and executive director						
— Ms. Yue'e ZHANG	—	1,062	—	—	—	1,062
Non-executive directors						
— Mr. JIANG Liwei	300	—	—	—	—	300
— Mr. LIN Junshan	300	—	—	—	—	300
Independent non-executive directors						
— Mr. CHEN Geng	181	—	—	—	—	181
— Mr. WANG Xiaogang	181	—	—	—	—	181
— Ms. WANG Fengli	181	—	—	—	—	181
	1,143	1,062	—	—	—	2,205

10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (Continued)

During the years ended 31 December 2024 and 2023, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, none of the directors had waived any emoluments during the current or prior year

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include nil (2023: one) director whose emoluments are reflected in the analysis shown in above. The emoluments payable to the remaining five (2023: four) individuals during the year are as follows:

	2024 RMB'000	2023 RMB'000
Basic salaries and allowances	3,505	3,997
Social security costs	110	182
Housing fund	41	81
Share — based payments	15,371	—
	19,027	4,260

The emoluments were within the following bands:

	2024 Number of individuals	2023 Number of individuals
Nil to HK\$1,000,000	—	1
HK\$1,000,001 — HK\$1,500,000	—	3
HK\$1,500,001 — HK\$2,000,000	1	—
HK\$2,000,001 — HK\$2,500,000	1	—
HK\$2,500,001 — HK\$3,000,000	1	—
HK\$3,000,001 — HK\$3,500,000	1	—
HK\$3,500,001 — HK\$4,000,000	2	—

The emoluments paid or payable to a member(s) of senior management were within the following bands:

	2024 Number of individuals	2023 Number of individuals
Nil to HK\$1,000,000	—	1
HK\$1,000,001 — HK\$1,500,000	—	3

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11. TAXATION

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

	2024 RMB'000	2023 RMB'000
Current income tax		
Current tax on profits for the year	43,248	28,224
Adjustment for under provision in prior periods	97	401
Deferred income tax (note 19)	(6,114)	(2,581)
Income tax expense	37,231	26,044

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")

The statutory PRC enterprise income tax for the PRC subsidiaries is 25% for the year. According to the Tax Relief Notice (Cai Shui 2020 No. 23) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Administration of Taxation and National Development and Reform Commission, enterprises located in the western region of the PRC with over 60% of the principal revenue generated from the encouraged business activities were entitled to a preferential income tax rate of 15% for 10 years from 1 January 2021 to 31 December 2030. Accordingly, certain subsidiaries located in the western region of the PRC are entitled to an income tax rate of 15% for the year.

Four subsidiaries (2023: Four) 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. 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.

PRC subsidiaries, which are micro and small enterprises, enjoy the preferential tax rates. According to the EIT Law and the Implementation Regulation of the EIT Law, an entity qualified as micro and small enterprises is subject to preferential tax treatments, seven of the subsidiaries are entitled to the preferential tax rate for the year ended 31 December 2024.

11. TAXATION (Continued)**(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 tax on the Group’s profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2024 RMB’000	2023 RMB’000
Profit before taxation	229,753	231,067
Tax calculated at statutory tax rates applicable to profits in the respective countries	57,438	57,766
Tax effect of:		
Effect of different tax rate in foreign jurisdictions	(1,277)	(993)
Preferential income tax rates applicable to subsidiaries	(20,069)	(19,753)
Additional deductible allowance for research and development expenses (note (i))	(2,763)	(2,774)
Tax effect of expenses not deductible for tax purpose	1,681	3,538
Tax effect of income not taxable for tax purpose	(8,465)	(23,922)
Tax effect of withholding tax of dividend income	2,608	2,604
Tax effect of estimated tax losses not recognised	7,981	9,177
Adjustment for under provision in previous periods	97	401
Income tax expense for the year	37,231	26,044

- (i) Pursuant to the CIT Law, an additional tax deduction is allowed based on the actual research and development expense charged to the consolidated statement of comprehensive income calculated at 100% of such expenses incurred if approved by tax authorities.

12. DIVIDENDS

The Board of Directors declared 2024 interim dividend of HK4.5 cents (2023: HK4.9 cents) per ordinary share to the shareholders totaling approximately HK\$67,713,000 (2023: HK\$76,716,000).

The Board recommended a final dividend of HK5.3 cents (2023: HK4.95 cents) per ordinary share, absorbing a total amount of about HK\$78,797,000 (2023: HK\$77,212,000) in respect of the year ended 31 December 2024, which is subject to the approval the shareholders of the Company at the forthcoming Annual General Meeting of the Company. The proposed dividends are not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2025. The final dividends are converted from Hong Kong dollars to Renminbi at the rate at the end of reporting period.

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13. 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 2024 and 2023.

	2024 RMB'000	2023 RMB'000
Profit attributable to owners of the Company	150,780	153,184
Weighted average number of ordinary shares in issue (thousands)	1,543,447	1,565,632
Basic earnings per share (RMB cents per share)	9.77	9.78

(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. For the year ended 31 December 2024 and 2023, the Company do not have any dilutive potential ordinary shares.

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).

	2024 RMB'000	2023 RMB'000
Profit attributable to owners of the Company	150,780	153,184
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,543,447	1,565,632
Diluted earnings per share (RMB cents per share)	9.77	9.78

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Leasehold improvements RMB'000	Furniture, fittings and office equipment RMB'000	Machinery and equipment RMB'000	Motor vehicle RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023							
Cost	637,135	32,886	23,228	328,861	7,366	162,310	1,191,786
Accumulated depreciation	(99,917)	(12,882)	(9,126)	(133,735)	(4,899)	—	(260,559)
Net book amount	537,218	20,004	14,102	195,126	2,467	162,310	931,227
Year ended 31 December 2023							
Opening net book amount	537,218	20,004	14,102	195,126	2,467	162,310	931,227
Additions	104	1,675	2,566	3,383	30	39,548	47,306
Disposals	—	(439)	(287)	(3,978)	(38)	—	(4,742)
Transfer from construction in progress	6,570	1,160	108	50,248	—	(58,086)	—
Depreciation	(21,775)	(8,446)	(2,961)	(33,267)	(470)	—	(66,919)
Closing net book amount	522,117	13,954	13,528	211,512	1,989	143,772	906,872
At 31 December 2023							
Cost	643,809	35,282	25,615	378,514	7,358	143,772	1,234,350
Accumulated depreciation and impairment	(121,692)	(21,328)	(12,087)	(167,002)	(5,369)	—	(327,478)
Net book amount	522,117	13,954	13,528	211,512	1,989	143,772	906,872
Year ended 31 December 2024							
Opening net book amount	522,117	13,954	13,528	211,512	1,989	143,772	906,872
Additions	—	5,423	1,369	3,056	348	46,303	56,499
Disposals	—	—	(21)	(611)	(24)	—	(656)
Transfer from construction in progress	20,213	27,074	5,488	37,080	—	(89,855)	—
Depreciation	(22,256)	(7,836)	(3,488)	(37,072)	(372)	—	(71,024)
Closing net book amount	520,074	38,615	16,876	213,965	1,941	100,220	891,691
At 31 December 2024							
Cost	663,184	67,779	32,156	417,213	7,231	100,220	1,287,783
Accumulated depreciation and impairment	(143,110)	(29,164)	(15,280)	(203,248)	(5,290)	—	(396,092)
Net book amount	520,074	38,615	16,876	213,965	1,941	100,220	891,691

The CGU is tested for impairment as it contains goodwill, key assumptions used in the impairment model are detailed in note 18.

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15. LEASES

(a) Leases as lessee

The Group leases properties, warehouse and factory facilities. The leases typically run for a period of one to five years. Lease payments are renegotiated every one to five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under HKAS 17. Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as Right-of-use assets.

	Properties RMB'000	Leasehold land and land use rights RMB'000	Total RMB'000
Balance at 1 January 2023	1,638	25,771	27,409
Depreciation charge for the year	(676)	(600)	(1,276)
Balance at 31 December 2023	962	25,171	26,133
Addition	6,649	—	6,649
Depreciation charge for the year	(1,853)	(599)	(2,452)
Balance at 31 December 2024	5,758	24,572	30,330

15. LEASES (Continued)**(a) Leases as lessee (Continued)****(ii) Lease liabilities**

	Properties RMB'000	Leasehold land and land use rights RMB'000	Total RMB'000
Balance at 1 January 2023	1,799	2,442	4,241
Disposal of a subsidiary (note 35)	—	(2,442)	(2,442)
Interest expense	154	—	154
Lease payments	(825)	—	(825)
Balance at 31 December 2023	1,128	—	1,128
Addition	6,649	—	6,649
Interest expense	279	—	279
Lease payments	(1,782)	—	(1,782)
Balance at 31 December 2024	6,274	—	6,274

Future lease liabilities are payable as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
At 31 December 2023			
Not later than one year	833	(74)	759
Later than one year and not later than two years	382	(13)	369
	1,215	(87)	1,128
At 31 December 2024			
Not later than one year	1,938	(241)	1,697
Later than one year and not later than two years	1,473	(174)	1,299
Later than two years and not later than five years	3,443	(165)	3,278
	6,854	(580)	6,274

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15. LEASES (Continued)

(a) Leases as lessee (Continued)

(ii) Lease liabilities (Continued)

The present value of future lease payments are analysed as:

	2024 RMB'000	2023 RMB'000
Current liabilities	1,697	759
Non-Current liabilities	4,577	369
	6,274	1,128

(iii) Amounts recognised in profit or loss

	2024 RMB'000	2023 RMB'000
Leases under HKFRS 16		
Interest on lease liabilities	279	154
Expenses relating to short-term leases	112	369
	391	523

(iv) Amounts recognised in statement of cash flows

	2024 RMB'000	2023 RMB'000
Total cash outflow for leases	(1,782)	(825)

15. LEASES (Continued)**(b) Leases as lessor**

The Group leases out its investment properties which are its owned commercial properties. All leases are classified as operating leases from a lessor perspective. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group was approximately RMB17,819,000 for the year ended 31 December 2024 (2023: RMB14,360,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2024 RMB'000	2023 RMB'000
Within one year	15,401	13,494
One to two years	15,926	13,986
	31,327	27,480

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16. INVESTMENT PROPERTIES

	Total RMB'000
FAIR VALUE	
At 1 January 2023	298,092
Addition	838
Change in fair value	(61)
Disposal of a subsidiary (note 35)	(33,991)
At 31 December 2023 and 1 January 2024	264,878
Change in fair value	(1,182)
Disposal of an investment property	(816)
At 31 December 2024	262,880

During the year ended 31 December 2023, the Group collected a property with carrying value of approximately RMB838,000 from the settlement of trade receivable which located at No. 1-6-2, Block 30, Dongcheng Garden, Dalian Economic Technology Development Zone, Dalian, with a construction area of approximately 213.08 square meters. The property was subsequently sold during the year ended 31 December 2024 for a consideration of RMB816,000.

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

The fair value of the Group's investment properties at 31 December 2024 was approximately RMB262,880,000 (2023: RMB264,878,000). The fair value of the Group's investment properties at 31 December 2024 have been arrived at on market value basis carried out by Zhong Qi Ying (Beijing) Asset Appraisal Company Limited (2023: Shenzhen Pengxin Appraisal 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.

16. INVESTMENT PROPERTIES (Continued)

The following table shows the significant unobservable inputs used in comparison with the previous year:

	2024	2023
Occupancy rate	50% to 83.52%	50% to 86.50%
Monthly Rent	RMB40.2 per sq.m. to RMB78.8 per sq.m.	RMB42 per sq.m. to RMB78.9 per sq.m.
Rental growth rate	2.0%	2.3%
Discount rate	5.0%	5.5%

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

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

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

	2024 RMB'000	2023 RMB'000
Discount rate increased by 1%	(33,601)	(34,411)
Expected occupancy rate decreased by 3%	(10,032)	(10,317)
Rental growth rate decreased by 0.5%	(22,269)	(31,927)

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17. INTANGIBLE ASSETS

	Computer software RMB'000	Trademarks RMB'000	Technology know-how and patents RMB'000	Customer relationship RMB'000	Development costs RMB'000	Total RMB'000
At 1 January 2023						
Cost	962	11,755	347,697	103,944	699,330	1,163,688
Accumulated amortisation	(878)	(9,147)	(47,959)	(13,256)	—	(71,240)
Net book amount	84	2,608	299,738	90,688	699,330	1,092,448
Year ended 31 December 2023						
Opening net book amount	84	2,608	299,738	90,688	699,330	1,092,448
Additions	—	—	—	—	34,605	34,605
Amortisation	(19)	(784)	(18,303)	(10,960)	—	(30,066)
Closing net book amount	65	1,824	281,435	79,728	733,935	1,096,987
At 31 December 2023						
Cost	962	11,755	347,697	103,944	733,935	1,198,293
Accumulated amortisation	(897)	(9,931)	(66,262)	(24,216)	—	(101,306)
Net book amount	65	1,824	281,435	79,728	733,935	1,096,987
Year ended 31 December 2024						
Opening net book amount	65	1,824	281,435	79,728	733,935	1,096,987
Additions	—	—	—	—	15,583	15,583
Transfer from development cost to technical know-how	—	—	698,985	—	(698,985)	—
Amortisation	(18)	(784)	(33,575)	(9,893)	—	(44,270)
Closing net book amount	47	1,040	946,845	69,835	50,533	1,068,300
At 31 December 2024						
Cost	962	11,755	1,046,682	103,944	50,533	1,213,876
Accumulated amortisation	(915)	(10,715)	(99,837)	(34,109)	—	(145,576)
Net book amount	47	1,040	946,845	69,835	50,533	1,068,300

17. INTANGIBLE ASSETS (Continued)

Notes:

At 31 December 2024, the capitalised development costs are related to cost incurred for Biological Dressing, Injectable Tissue Filler, Non-compliant PTA Drug Balloon Catheters and Hemodialysis Filter which was not yet available for use.

During the year, the Breast Tissue Patch, Oral Cavity Repair Membrane, Continuous Renal Replacement Therapy Machine (CRRT), Hemodialysis Filter and Hemodialysis Filtration Equipment H1 were transferred from development costs to technology know-how, successfully obtaining sales registration.

At 31 December 2023, the capitalised development costs are related to cost incurred for Biological Dressing, Breast Tissue Patch, Oral Cavity Repair Membrane, Injectable Tissue Filler, Tissue Sponge, Non-compliant PTA Drug Balloon Catheters, Continuous Renal Replacement Therapy Machine (CRRT) and Hemodialysis Filtration Equipment H1, which was not yet available for use.

18. GOODWILL

	2024 RMB'000	2023 RMB'000
Carrying amount	564,085	564,085

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

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

	Goodwill carrying amount	
	2024 RMB'000	2023 RMB'000
Infusion Set Business	160,754	160,754
Blood Purification Business	323,540	323,540
Regenerative Medical Biomaterials Business	79,791	79,791
	564,085	564,085

The Group tests goodwill annually, or more frequently if there are indications that goodwill may be impaired.

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18. GOODWILL (Continued)

Impairment assessment of Infusion Set Business

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

The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Based on management's calculation, the recoverable amount of the Infusion Set Business as at 31 December 2024 amounted to approximately RMB805 million (31 December 2023: RMB909 million), which was 5.3% (31 December 2023: 16.2%) higher than its carrying amount. Key assumptions used to determine the CGUs' value-in-use were as follows:

	Value assigned to key assumption		Approach to determining key assumption
	31 December 2024	31 December 2023	
Revenue	4.0%–6.0%	8.0%–10.0%	Forecasted revenue growth rates and gross profit margin were determined based on industry research and financial forecast on Infusion Set Business.
Gross profit margin	59.2%	59.5%	
Long-term growth rate	2.0%	2.0%	Estimated based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry in the PRC
Discount rate	12.7%	14.2%	Reflect specific risks relating to the relevant segment and the country in which the Infusion Set Business operates.

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

Impact of possible changes in key assumptions

If the compound revenue growth rates used in the value-in-use calculation for Infusion Set Business had been 1.5% lower than management's estimates at 31 December 2024 (2.5%–4.5% instead of 4.0%–6.0%), the value-in-use of Infusion Set Business would approximate its carrying amount.

If the gross margins used in the value-in-use calculation for Infusion Set Business had been 2.1% lower than management's estimates at 31 December 2024 (57.1% instead of 59.2%), the value-in-use of Infusion Set Business would approximate its carrying amount.

If the pre-tax discount rate applied to the cash flow projections of Infusion Set Business had been 2.2% higher than management's estimates (16.3% instead of 14.1%), the value-in-use of Infusion Set Business would approximate its carrying amount.

18. GOODWILL (Continued)**Impairment assessment of Blood Purification Business**

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

The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Based on management's calculation, the recoverable amount of the Blood Purification Business as at 31 December 2024 amounted to approximately RMB1,926 million (31 December 2023: RMB1,404 million), which was 55.9% (31 December 2023: 11.9%) higher than its carrying amount. Key assumptions used to determine the CGUs' value-in-use were as follows:

	Value assigned to key assumption		Approach to determining key assumption
	31 December 2024	31 December 2023	
Revenue	5.0%–20.0%	5.0%–25.0%	Forecasted revenue growth rates and gross profit margin were determined based on industry research and financial forecast on Blood Purification Business.
Gross profit margin	52.2%	49.4%	
Long-term growth rate	2%	2.0%	Estimated based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry in the PRC
Discount rate	11.16%	12.1%	Reflect specific risks relating to the relevant segment and the country in which the Blood Purification Business operates.

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

Impact of possible changes in key assumptions

If the compound revenue growth rates used in the value-in-use calculation for Blood Purification Business had been 10.1% lower than management's estimates at 31 December 2024 (0%–9.9% instead of 5.0%–20.0%), the value-in-use Blood Purification Business would approximate its carrying amount.

If the gross margins used in the value-in-use calculation for Blood Purification Business had been 9.2% lower than management's estimates at 31 December 2024 (43.0% instead of 52.2%), the value-in-use of Blood Purification Business would approximate its carrying amount.

If the pre-tax discount rate applied to the cash flow projections of Blood Purification Business had been 5.3% higher than management's estimates (17.9% instead of 12.6%), the value-in-use of Blood Purification Business would approximate its carrying amount.

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18. GOODWILL (Continued)

Impairment assessment of Regenerative Medical Biomaterials Business

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

The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a ten-year period. The Regenerative Medical Biomaterials Business had not put into production at 31 December 2024, and the management expected it might take one year to launch the new products on the market. The ten-year forecast was based on the timing of launching the Regenerative Medical Biomaterials product and the majority of the expected product life cycle. Management engaged an independent external valuer to assist in performing the impairment assessments. Based on management's calculation, the recoverable amount of the Regenerative Medical Biomaterials Business as at 31 December 2024 amounted to approximately RMB1,781 million (31 December 2023: RMB1,674 million), which was 77.6% (31 December 2023: 64.8%) higher than its carrying amount. Key assumptions used to determine the CGUs' value-in-use were as follows:

	Value assigned to key assumption		Approach to determining key assumption
	31 December 2024	31 December 2023	
Revenue growth (during the average ten-year period)	34.6%	36.8%	Forecasted revenue growth rates and gross profit margin were determined based on industry research and financial forecast on Oral Cavity Repair Membrane, Breast Patch and Hernia Patch.
Gross profit margin (during the average ten-year period)	83.7%	82.9%	
Long-term growth rate after the initial ten-year period	1.0%	1.0%	Estimated based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry in the PRC
Discount rate	11.8%	13.7%	Reflect specific risks relating to the relevant segment and the country in which the Regenerative Medical Biomaterials Business operates.

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

Impact of possible changes in key assumptions

If the compound revenue growth rates used in the value-in-use calculation for Regenerative Medical Biomaterials Business had been 11.2% lower than management's estimates at 31 December 2024 (23.4% instead of 34.6%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

If the gross margins used in the value-in-use calculation for Regenerative Medical Biomaterials Business had been 10.7% lower than management's estimates at 31 December 2024 (73.0% instead of 83.7%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

If the pre-tax discount rate applied to the cash flow projections of Regenerative Medical Biomaterials Business had been 7.6% higher than management's estimates (19.4% instead of 11.8%), the value-in-use of Regenerative Medical Biomaterials Business would approximate its carrying amount.

19. DEFERRED TAX ASSETS AND LIABILITIES

Details of the deferred tax assets and liabilities recognised and movements during the current and prior years:

	Provision for impairment of receivables RMB'000	Write-down of inventories RMB'000	Depreciation allowance RMB'000	Fair value adjusted on property, plant and equipment and intangible assets RMB'000	Fair value surplus arising from revaluation of property, plant and equipment RMB'000	Deferred government grant RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	4,590	914	8	(159,466)	13,203	3,979	321	(136,451)
Disposal of a subsidiary (note 35)	—	—	—	—	(10,551)	—	—	(10,551)
(Charge)/credit to profit or loss for the year	(1,332)	(755)	(6)	4,754	94	147	(321)	2,581
At 31 December 2023	3,258	159	2	(154,712)	2,746	4,126	—	(144,421)
(Charge)/credit to profit or loss for the year	(400)	—	4	6,277	212	21	—	6,114
At 31 December 2024	2,858	159	6	(148,435)	2,958	4,147	—	(138,307)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. The net deferred income tax balance after offsetting is as follows:

	2024 RMB'000	2023 RMB'000
Non-current portion		
Deferred tax assets	10,128	10,291
Deferred tax liabilities	(148,435)	(154,712)
	(138,307)	(144,421)

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20. NON-CURRENT FINANCIAL ASSETS

	2024 RMB'000	2023 RMB'000
Equity securities designated at FVOCI		
— Listed equity securities (note (i))	26,363	41,456
Financial assets measured at FVTPL		
— Unlisted investment fund (note (ii))	20,181	19,824
	46,544	61,280

Notes:

- (i) As at 31 December 2024 and 2023, the Group held 0.65% equity interest in Lepu Biopharma Co., Ltd.. The resulted in a fair value loss of approximately RMB15,760,000 (2023: fair value loss of RMB37,730,000) credited to financial assets at FVOCI reserves directly during the year ended 31 December 2024.

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

- (ii) The underlying assets of the unlisted investment fund represent a private equity investing into medical industry. This investment fund was principally to achieve long-term capital appreciation primarily through privately-negotiated investments in companies and/or its affiliates which is/are engaged in the research and development and sales of medical devices. The Group is a limited partner who held 26.3% in this investment fund and does not have control nor significant influence in their operational and financing decisions.

The directors of the Company have determined the fair value of the interest held in the investment fund as at 31 December 2024 and 2023 with reference to the valuation report issued by Flagship Appraisals and Consulting Limited, an independent professional valuer who has professional qualifications and relevant experience. The fair value of the investment fund is determined by market approach, with references to comparable companies benchmark multiples. Fair value gain was credited to profit or loss directly during the year ended 31 December 2024.

In previous years, the Group classified unlisted investment fund as equity investments designated at fair value through other comprehensive income. During the year, the Group has reviewed the terms and condition of these investments and noted that these investments do not meet the definition of equity instrument in according with HKFRS 9 Financial Instruments and should have been classified as "Financial assets at fair value through profit or loss". Accordingly, the investment has been reclassified from "Equity investments designated at fair value through other comprehensive income" to "Financial assets at fair value through profit or loss". The comparative figure of RMB19,824,000 at 31 December 2023 has been reclassified (1 January 2023: RMB19,002,000).

The fair value changes of these investments in previous years were immaterial to the Group and therefore the reclassification has no other material impact on the comparative information to these consolidation financial statements.

- (iii) The detail of the valuation methodology on non-current financial assets are disclosed in note 38(b).

21. LOAN RECEIVABLES

	2024 RMB'000	2023 RMB'000
Fixed-rate loan receivables	300,000	300,000
Analysed as:		
Current	120,000	120,000
Non-current	180,000	180,000
	300,000	300,000

On 20 April 2023, the Group was granted a loan advance with the principal of RMB180,000,000 at the rate of 5.3% per annum with a maturity date in April 2026. The interest is repayable on a half-yearly basis. It is considered to be low risk as the loan is collateralised by the real properties owned by the Borrower located in Beijing with fair value amounted RMB262,790,000 and therefore the impairment provision is determined as 12 months expected credit losses. The management assess that the effect of applying the expected credit risk model on loan receivable was immaterial.

On 28 September 2023, a loan advance with the principal of RMB120,000,000 was granted to Zhangjiagang Hua An Investment Co., Ltd., which is a third party independent. The loan is interest bearing at 4.55% per annum. The interest is repayable on a semi-yearly basis. On 31 May 2024, the outstanding principal amount was extended a loan advance with the principal of RMB120,000,000 at the rate of 4.55% per annum with a maturity date in May 2025. The interest is repayable on a semi-yearly basis. It is considered to be low risk as the loan is collateralised by the real properties owned by the Borrower located in Suzhou with fair value amounted to RMB200,000,000 and therefore the impairment provision is determined as 12 months expected credit losses. The management assessed that the effect of applying the expected credit risk model on loan receivable was immaterial.

22. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	45,507	53,797
Work in progress	18,821	26,664
Finished goods	49,304	56,401
Goods in transit	11,107	3,113
	124,739	139,975
Provision for impairment	(4,457)	(3,370)
	120,282	136,605

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23. TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables (note i)	72,988	74,456
Bills receivable (note ii)	1,338	1,154
Prepayments and deposits	22,403	15,537
Value added tax recoverable	12,937	15,944
Other receivables	35,817	29,688
Interest receivables	2,771	9,535
Amount due from a related party (note 36(d))	18,571	34,107
Trade and other receivables	166,825	180,421

Notes:

- (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.

	2024 RMB'000	2023 RMB'000
Up to 3 months	46,864	32,700
3 months to 6 months	3,624	11,940
6 months to 12 months	9,301	8,464
1 year to 2 years	1,465	4,745
2 years to 3 years	11,734	16,607
	72,988	74,456

The Group and the Company recognised impairment loss based on the accounting policy stated in note 4.9(ii).

Trade receivables are due within 180 days from the date of billing. The Group does not hold any collateral as security. Further details on the Group's credit policy and credit risk arising from trade receivables and bills receivable are set out in note 41(b).

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

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Wealth management products — non-principal protected	5,148	4,900

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

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

	2024 RMB'000	2023 RMB'000
At beginning of year	4,900	5,630
Addition	672,998	663,000
Disposal	(672,750)	(663,730)
At end of year	5,148	4,900

25. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	41,787	36,794
Salary and staff welfare payables	38,922	33,641
Advances from customers	4,792	9,638
Deposits received	3,704	3,789
Value added tax and other taxes	10,384	7,137
Professional service fee	8,163	6,948
Provision of loss from guarantee liability (note 7)	22,680	21,946
Deferred government grant — current portion (note 28)	1,325	1,121
Amount due to related parties (note 36(d))	729	2,126
Other payables	6,458	6,940
	138,944	130,080

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25. TRADE AND OTHER PAYABLES (Continued)

As at 31 December 2024 and 2023, 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:

	2024 RMB'000	2023 RMB'000
Up to 6 months	26,160	21,045
6 months to 12 months	1,371	2,610
Over 1 year	2,954	3,065
2 years to 3 years	1,354	206
Over 3 years	9,948	9,868
	41,787	36,794

26. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Contract liabilities arising from sale contracts	19,761	7,766

Certain deposits the Group received from the sale of medical device for blood purification and regenerative medical biomaterials remain as contract liabilities until such time as the work completed to date outweighs it.

The movements in contract liabilities are as follow:

	2024 RMB'000	2023 RMB'000
Balance as at 1 January	7,766	12,462
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities	(6,053)	(9,344)
Increase in contract liabilities as a result of billing in advance	18,048	4,648
Balance as at 31 December	19,761	7,766

27. BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Non-current liabilities		
Bank borrowings	5,800	—

Note: As at 31 December 2024, the Group had bank borrowing with principal amount of approximately RMB5,800,000 (2023: Nil) and repayable in 14 December 2026 (2023: Nil). The bank borrowing carried a fixed interest rate at 3.45% per annum.

28. DEFERRED GOVERNMENT GRANTS

	2024 RMB'000	2023 RMB'000
At beginning of year	23,841	24,246
Addition	—	800
Amortisation	(1,207)	(1,205)
At end of year	22,634	23,841
Current portion	1,325	1,121
Non-current portion	21,309	22,720
	22,634	23,841

Note: Such government grants were recorded as deferred government grants and would be credited to the consolidated statement of comprehensive income over the useful life of the corresponding assets using straight-line method.

29. SHARE CAPITAL

	Number of ordinary shares	Share capital RMB'000
Issued and fully paid:		
At 1 January 2023 and 31 December 2023, and 1 January 2024	1,565,632,098	962
Cancellation of shares	(32,401,000)	(23)
At 31 December 2024	1,533,231,098	939

No ordinary shares were repurchased or cancelled during the year ended 31 December 2023.

During the year ended 31 December 2024, 78,897,000 ordinary shares were repurchases, of which 32,401,000 ordinary shares have been cancelled as at 31 December 2024. The total amount paid to acquire the shares was approximately RMB80,221,000 during the year.

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30. OTHER RESERVES

	Merger reserve note (i) RMB'000	Translation reserve RMB'000	Capital reserve note (ii) RMB'000	Share option reserve RMB'000	Revaluation reserves RMB'000	Financial assets at FVOCI reserves RMB'000	Total RMB'000
The Group							
At 1 January 2023	63,964	30,824	330,900	115	2,576	458	428,837
Currency translation differences	—	(6,044)	—	—	—	—	(6,044)
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	(29,908)	(29,908)
Lapse of share option	—	—	—	(115)	—	—	(115)
At 31 December 2023	63,964	24,780	330,900	—	2,576	(29,450)	392,770
Currency translation differences	—	(2,748)	—	—	—	—	(2,748)
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	(15,403)	(15,403)
Share-based payment	—	—	9,018	—	—	—	9,018
At 31 December 2024	63,964	22,032	339,918	—	2,576	(44,853)	383,637

(i) The merger reserve represents: (a) the total consideration paid for the acquisition of subsidiaries under common control upon the Reorganisation; and (b) the cash contribution to the Group by the then equity owners.

(ii) Capital reserve mainly represents: (a) for the transactions with non-controlling interests, the differences between the considerations paid/received and the relevant carrying value of the net assets of the subsidiaries acquired/disposed of; and (b) the difference between the carrying amount and undiscounted amount of interest-free loan received from a related party, net of tax.

31. NON-CONTROLLING INTERESTS

As at and for the year ended 31 December 2024, the non-controlling interest ("NCI") was attributable to 51.51% (2023: 51.51%) of Sichuan Ruijian Medical and 41.8% (2023: 41.8%) of Beijing Ruijian Biological. The NCI is recorded at its proportionate share of the subsidiaries' identifiable net assets.

Summarised financial information in relation to the NCI of Sichuan Ruijian Medical, before intra-group eliminations, is presented below:

	2024 RMB'000	2023 RMB'000
Revenue	482,257	394,021
Profit for the year	112,334	125,586
Total comprehensive income for the year	112,334	125,586
Profit and total comprehensive income allocated to NCI	57,153	61,537
Cash flows generated from operating activities	219,226	132,077
Cash flows used in investing activities	(38,082)	(44,709)
Cash flow (used in)/generated from financing activities	(1,099)	37,580
Net cash inflows	180,045	124,948
As at 31 December		
Current assets	613,026	465,698
Non-current assets	541,718	545,383
Current liabilities	(69,169)	(57,048)
Non-current liabilities	(39,991)	(39,382)
Net assets	1,045,584	914,651
Accumulated non-controlling interest	532,828	466,094

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31. NON-CONTROLLING INTERESTS (Continued)

Summarised financial information in relation to the NCI of Beijing Ruijian Biological, before intra-group eliminations, is presented below:

	2024 RMB'000	2023 RMB'000
Revenue	—	—
Loss for the year	(36,867)	(23,199)
Total comprehensive expense for the year	(36,867)	(23,199)
Loss and total comprehensive expense allocated to NCI	(15,411)	(9,698)
Cash flows used in operating activities	(13,147)	(11,128)
Cash flows used in investing activities	(10,232)	(21,596)
Cash flow used in financing activities	(381)	(517)
Net cash outflows	(23,760)	(33,241)
As at 31 December		
Current assets	68,019	88,115
Non-current assets	857,518	873,477
Current liabilities	(23,817)	(19,838)
Non-current liabilities	(119,093)	(122,258)
Net assets	782,627	819,496
Accumulated non-controlling interest	299,139	314,550

32. CAPITAL COMMITMENTS

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

	2024 RMB'000	2023 RMB'000
Commitments for the acquisition of: Property, plant and equipment	25,633	36,052

33. SHARE BASED PAYMENTS

Sichuan Ruijian Medical Share Award Scheme

A share award scheme ("Sichuan Ruijian Medical Share Award Scheme") was adopted by Sichun Ruijian Medical.

Particulars of the Sichuan Ruijian Medical Share Award Scheme are set out below:

Purpose of the Sichuan Ruijian Medical Share Award Scheme

The purpose of the Sichuan Ruijian Medical Share Award Scheme is to provide incentives and rewards to eligible participants for their contribution to the Sichuan Ruijian Medical and enable the Sichuan Ruijian Medical to attract and retain the employees of appropriate qualifications and with necessary experience to work for the Sichuan Ruijian Medical in which any member of the Sichuan Ruijian Medical holds any equity interest.

Participants of the Sichuan Ruijian Medical Share Award Scheme

The board of directors of the Sichuan Ruijian Medical or a duly authorised committee thereof, may, at its discretion, grant share awards to any of its full time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Sichuan Ruijian Medical (the "Employees"), who have contributed to the Sichuan Ruijian Medical (collectively the "Participants"), to subscribe for shares of RMB1.783 each in the share capital of the Sichuan Ruijian Medical in accordance with the provisions of the Scheme.

Period within which the share must be taken up under Share Award Scheme

Share award may be exercised in accordance with the terms of the Sichuan Ruijian Medical Share Award Scheme at any time during a period as the Board may determine which shall not be more than 5 years from the date of Sichuan Ruijian Medical Technology Co. Ltd. is successfully listed on Beijing Stock Exchange subject to the provisions of early termination thereof and the board of directors may provide restrictions on the exercise of share award during the period the share award may be exercised. Amount payable upon acceptance of the share award and the period within which the payment must be made RMB1.783 shall be paid within 21 days from the date of offer of the share award scheme.

Basis of determining the exercise price of the share award

The exercise price for Shares under the Sichuan Ruijian Medical Share Award Scheme shall be a price determined by the board of directors, but in any case will not be less than the highest of:

- (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading date;
- (2) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading immediately preceding the date of the offer; or
- (3) the nominal value of a share.

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33. SHARE BASED PAYMENTS (Continued)

Sichuan Ruijian Medical Share Option Scheme (Continued)

Remaining life of the Sichuan Ruijian Medical Share Award Scheme

The Sichuan Ruijian Medical Share Award Scheme shall be valid and effective for a period of 5 years from the date of Sichuan Ruijian Medical Technology Co. Ltd. is successfully listed on Beijing Stock Exchange (i.e. 30 September 2025 and ending on 29 September 2030), after which no further share awards will be granted but the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any share awards granted or exercised prior to otherwise as may be required in accordance with the provision of the Sichuan Ruijian Medical Share Award Scheme.

Details of share awards granted under the Sichuan Ruijian Medical Share Award Scheme are as follows:

	Share options by grant date 18 April 2024
Number of ordinary shares issued upon exercise:	
— Senior management	5,320,000
— Employees	1,012,340
	6,332,340

For the share awards granted on 18 April 2024, 1,583,085 shares are entitled from the 1 years after listing (i.e. 30 September 2026) to 29 September 2030 (the “first tranche”); 1,583,085 shares are entitled from 2 years after listing (i.e. 30 September 2027) to 29 September 2030 (the “second tranche”); 1,583,085 shares are entitled from 3 years after listing (i.e. 30 September 2028) to 29 September 2030 (the “third tranche”); and 1,583,085 shares are entitled from the 4 years after listing (i.e. 30 September 2029) to 29 September 2030 (the “fourth tranche”).

In the event the grantee ceases to be the participants, the share awards granted to the grantee shall lapse on the date which the grantee ceases to be the participant.

The Group does not have a legal or constructive obligation to repurchase or settle the share awards in cash.

33. SHARE BASED PAYMENTS (Continued)**Sichuan Ruijian Medical Share Option Scheme (Continued)****Remaining life of the Sichuan Ruijian Medical Share Award Scheme (Continued)**

The fair values of employee services received in return for share awards granted are measured by reference to the fair value of share awards granted.

For the fair value of services measured indirectly by reference to the fair value of the share awards granted, the fair value is determined by the directors of the Company with reference to the valuation performed by an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited using the Binomial Option Pricing Model significant inputs into the model were as follows:

	Share options by grant date 18 April 2024
Expected life	1.5–5.5 years
Fair value	44,954,176
Fair value	
— first tranche	11,027,280
— second tranche	11,167,178
— third tranche	11,308,490
— fourth tranche	11,451,228

The expected volatility reflects the assumption that the historical volatility of future trends, adjusted for any expected changes to future volatility based on publicly available information, which may also not necessarily be the actual outcome. No other feature of the share awards was incorporated into the measurement of the fair value.

The variables and assumptions used in estimating the fair value of the share awards were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

During the year ended 31 December 2024, share-based payment expense of RMB18,599,000 (2023: Nil) under the share award scheme was recognised in the consolidated statement of comprehensive income, with a corresponding credit in capital reserve.

No participant is entitled to shares under the share award scheme during the year.

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34. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY WITHOUT LOSS OF CONTROL

On 22 December 2023, an indirectly wholly owned subsidiary of the Company, Medcore Investment entered into an agreement (“the Agreement”) with a third party investor (the “Investor”) in relation to the capital contributions (the “Capital Contributions”) to a subsidiary, Sichuan Ruijian Medical. Total considerations of the Capital Contributions from the Investor was agreed at RMB140,000,000 in cash and were injected. Details please refer to the Company’s announcement dated 22 December 2023.

On the same day, Medcore Investment and one of the original minority shareholders (“the minority shareholder”), entered into the Acting-In-Concert Agreement pursuant to which Medcore Investment and the minority shareholder agreed to exercise their voting rights unanimously in respect of their respective equity interest in Sichuan Ruijian Medical at all shareholders’ meetings of Sichuan Ruijian Medical. Under the Acting-In-Concert Agreement, over 50% voting right have the power to appoint directors and remove directors which control the relevant activities of Sichuan Ruijian Medical. Medcore Investment and the minority shareholder also agreed that, if they are unable to reach a unanimous consent in relation to any matters to be presented at the shareholders’ meetings of Sichuan Ruijian Medical, the minority shareholder shall exercise its voting rights at the shareholders’ meetings of Sichuan Ruijian Medical in accordance with the decision made by Medcore Investment.

Upon completion of the Capital Contributions, Sichuan Ruijian Medical will remain as a non-wholly owned subsidiary of the Company, and the results, assets and liabilities of the Sichuan Ruijian Medical will continue to be consolidated into the financial statements of the Group.

After the Capital Contributions, the equity interest of the Group has been decreased from 51% to 48.49%, which was considered as a deemed disposal of a subsidiary. RMB53,483,000 has been reallocated from retained earnings to non-controlling interest during the year ended 31 December 2023. The effect of changes in the ownership interest of Sichuan Ruijian Medical on the equity attributable to owners of the Company during the year ended 31 December 2023 is summarised as follows:

	2023 RMB'000 (Unaudited)
Carrying amount of non-controlling interests disposed of	(86,517)
Consideration received from non-controlling interests	140,000
Gain on deemed disposal within equity	53,483

35. DISPOSAL OF A SUBSIDIARY

On 12 October 2023, an indirectly wholly owned subsidiary of the Company, Fert Technology entered into certain sale and purchase agreements with certain independent third parties, pursuant to which the Group agreed to dispose of its 100% equity interest in Shandong Fert Technology Co., Ltd. (“the Shandong Fert”) with an aggregate cash consideration of RMB36,000,000. The disposal was completed on 4 November 2023.

35. DISPOSAL OF A SUBSIDIARY (Continued)

The breakdown of assets/(liabilities) of the Shandong Fert as at, 4 November 2023, the completion date of disposal, and the consideration of disposal is as follow:

	RMB'000
Investment properties	33,991
Deferred tax assets	10,551
Bank balances and cash	12
Lease liabilities	(2,442)
Other payable	(12)
Total identifiable net assets	42,100
Loss on disposal of a subsidiary	(6,100)
Total consideration satisfied by:	
Cash	36,000

Cashflow movement in relation to acquisition during the year ended 31 December 2023:

	RMB'000
Cash consideration received	36,000
Cash at bank disposed of	(12)
Net cash inflow arising on disposal of a subsidiary	35,988

36. RELATED PARTY DISCLOSURES

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

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

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36. RELATED PARTY DISCLOSURES (Continued)

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

	2024 RMB'000	2023 RMB'000
Related party transactions		
Sales of medical devices		
— Lepu Medical and its subsidiaries (note i)	43,087	25,058
Medical products processing services fee income (note ii)		
— Lepu Medical and its subsidiaries	2,148	1,523
Purchases of medical devices molds and components (note iii)		
— Lepu Medical and its subsidiaries	(2,656)	(2,793)

Notes:

- (i) Sales of medical devices totaling RMB43,087,000 to a related company were conducted in the normal course of business and in accordance with the terms of the agreement between the Company and the related party.
- (ii) Medical products processing services fee income totaling RMB2,148,000 to a related company were conducted in the normal course of business and in accordance with the terms of the agreement between the Company and the related party.
- (iii) Purchases of medical devices molds and components totaling RMB2,656,000 to a related company were conducted in the normal course of business and in accordance with the terms of the agreement between the Company and the related party.

(c) Compensation of key management personnel

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

	2024 RMB'000	2023 RMB'000
Short-term benefits	3,498	3,997
Post-employment benefits	273	263
	3,771	4,260

The remuneration of directors is determined by the remuneration committee having regard to the level and composition of pay and the general market conditions in the respective countries and businesses.

(d) Amount due from/(to) related parties

The amount due from/(to) related parties are interest-free, unsecured and repayable on demand.

37. NOTES SUPPORTING CASH FLOW STATEMENT**(a) Cash and cash equivalents comprise:**

	2024 RMB'000	2023 RMB'000
Cash available on demand	942,216	939,497
Short-term deposits (note)	739,768	650,159
	1,681,984	1,589,656

Note:

The balance represents short-term bank deposits with an original maturity of three months or less. The Group's bank balances deposited in the banks in the PRC carry prevailing market interest rates ranging from 1.1% to 4.9% (2023: from 1.6% to 5.8%) per annum.

The Group's bank balances that are denominated in foreign currencies of the relevant group entities (whose functional currency is RMB) are set out as below:

	2024 RMB'000	2023 RMB'000
Denominated in USD	498,272	303,632
Denominated in HK\$	7,361	3,571
Denominated in EUR	1,430	—

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37. NOTES SUPPORTING CASH FLOW STATEMENT (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance at 1 January 2023	—	4,241	4,241
<i>Changes from financing cash flows</i>			
Payment of lease liabilities	—	(671)	(671)
Interest paid	—	(154)	(154)
Total changes from financing cash flows	—	(825)	(825)
<i>Other changes</i>			
Disposal of a subsidiary (note 35)	—	(2,442)	(2,442)
Interest expense	—	154	154
Total liability-related other changes	—	(2,288)	(2,288)
At 31 December 2023 and 1 January 2024	—	1,128	1,128
<i>Changes from financing cash flows</i>			
Proceeds from new bank borrowings	5,800	—	5,800
Payment of lease liabilities	—	(1,503)	(1,503)
Interest paid	(95)	(279)	(374)
Total changes from financing cash flows	5,705	(1,782)	3,923
<i>Other changes</i>			
Addition of properties	—	6,649	6,649
Interest expense	95	279	374
Total liability-related other changes	95	6,928	7,023
At 31 December 2024	5,800	6,274	12,704

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2024 RMB'000	2023 RMB'000
Financial assets		
— at amortised cost	2,113,469	2,037,696
— at fair value through profit or loss	25,329	24,724
— at fair value through other comprehensive income	26,363	41,456
	2,165,161	2,103,876
Financial liabilities		
Financial liabilities at amortised cost	130,813	109,523

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include, trade and other receivables, loan receivables, cash and cash equivalents, trade and other payables, bank borrowings and lease liabilities.

(b) Financial instruments measured at fair value

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

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

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

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

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

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

Description	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Financial assets at fair value through profit or loss					
– Wealth management product	5,148	4,900	Level 3	Quoted prices from financial institutions	Expected rate of return ranging from 2.10%–2.59% (31 December 2022: 1.22%–2.98%)
– Unlisted investment fund	20,181	19,824	Level 3	Valuations making reference to market capitalisations of comparable companies engaged in the same industry	Selection of comparable companies and weighting of the selected companies used in valuation
Financial assets at fair value through other comprehensive income					
– Listed equity securities	26,363	41,456	Level 1	Quoted market prices	N/A

For the financial assets at fair value through profit or loss, it consisted of wealth management products and unlisted investment fund as detailed in note 20 and note 24.

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

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

For the financial assets at fair value through other comprehensive income, it consisted listed equity securities as detailed in note 20.

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

39. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2024 and 2023 were as follows:

Company name	Place of incorporation and operation/kind of legal entity	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Effective equity interests held		Principal activities
				31 December 2024	2023	
Directly owned:						
Health Access Limited ("Health Access")	Hong Kong/Limited liability company	29 June 2011	480,026,001 ordinary shares of HK\$1 each	100%	100%	Investment holding
Medfusion Holdings Limited	The British Virgin Islands/ Limited liability company	23 August 2021	USD5,000	100%	100%	Investment holding
Medcore Holdings Limited	The British Virgin Islands/ Limited liability company	26 August 2021	USD5,000	100%	100%	Investment holding
Indirectly owned:						
PW Medtech (Beijing) Limited (普華和順(北京)醫療科技有限公司 "PW Medtech (Beijing)")	PRC/Limited liability company	10 August 2000	RMB154,300,000	100%	100%	Investment holding
Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司 "Fert Technology")	PRC/Limited liability company	23 September 1997	RMB126,000,000	100%	100%	Infusion Set Business
Xuzhou Yijia Medical Device Co., Ltd. (徐州一佳醫療器械有限公司 "Xuzhou Yijia")	PRC/Limited liability company	30 June 2003	RMB13,841,000	100%	100%	Infusion Set Business
Beijing Zhong Jie Tian Gong Medtech Co., Ltd. (北京中傑天工醫療科技有限公司)	PRC/Limited liability company	22 September 2011	RMB10,000,000	100%	100%	Infusion Set Business
Shandong Fert Medical Device Co., Ltd. (山東伏爾特醫療器械有限公司) (note (i))	PRC/Limited liability company	28 July 2015	RMB20,000,000	—	100%	Inactive
Beijing Fert Medtech Co., Ltd. (北京伏爾特醫療科技有限公司)	PRC/Limited liability company	18 October 2016	RMB20,000,000	100%	100%	Infusion Set Business
Beijing Jun Tai Sheng Yue Technology Co., Ltd (北京君泰盛悅技術有限公司)	PRC/Limited liability company	13 March 2018	RMB300,000	100%	100%	Infusion Set Business
Beijing Le Gu Kang Jie Medtech Limited (北京樂谷康傑醫療技術有限公司)	PRC/Limited liability company	12 July 2018	RMB5,000,000	100%	100%	Infusion Set Business
Beijing Pufeng Medical Management Co., Ltd. (北京普峰醫療管理有限公司)	PRC/Limited liability company	10 September 2019	RMB5,000,000	100%	100%	Infusion Set Business
北京伏爾特醫療器械有限公司(note (ii))	PRC/Limited liability company	23 September 2024	RMB10,000,000	100%	—	Infusion Set Business
Medfusion Investment Limited	Hong Kong/Limited liability company	3 September 2021	HKD 1,000	100%	100%	Investment holding
Medcore Investment Limited	Hong Kong/Limited liability company	3 September 2021	HKD 1,000	100%	100%	Investment holding
Jiangxi PW Medtech Medical Device Co., Ltd. (江西普華禾順醫療器械有限公司)	PRC/Limited liability company	16 September 2021	RMB2,000,000	100%	100%	Infusion Set Business
Beijing Ruijian High-Tech Biological Technology Co., Ltd	PRC/Limited liability company	10 August 2000	RMB154,300,000	58.2%	58.2%	Regenerative Medical Biomaterial Business
康達瑞泰(北京)生物科技有限公司(note (iii))	PRC/Limited liability company	13 May 2024	RMB500,000	58.2%	—	Regenerative Medical Biomaterial Business
Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司) (note (iii))	PRC/Limited liability company	6 August 2013	RMB306,930,000	48.49%	48.49%	Blood Purification business

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39. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries at 31 December 2024 and 2023 were as follows: (Continued)

Company name	Place of incorporation and operation/kind of legal entity	Date of incorporation/establishment	Registered/Issued and paid-up capital	Effective equity interests held		Principal activities
				31 December 2024	2023	
成都歐賽醫療器械有限公司(note (iv))	PRC/Limited liability company	19 January 2005	RMB20,000,000	48.49%	48.49%	Blood Purification business
成都睿爾科維醫療器械有限責任公司(note (iv))	PRC/Limited liability company	6 August 2019	RMB5,000,000	48.49%	48.49%	Blood Purification business
北京睿爾康健康管理有限公司(note (i))	PRC/Limited liability company	14 January 2016	RMB50,000,000	—	33.94%	Inactive
北京睿爾健健康管理有限公司(note (i))	PRC/Limited liability company	20 January 2016	RMB20,000,000	—	33.94%	Inactive
成都慕道爾精密模塑有限公司(note (v))	PRC/Limited liability company	3 September 2018	RMB10,000,000	48.49%	48.49%	Blood Purification business
廣州市賽諾康醫療器械有限公司(note (vi))	PRC/Limited liability company	17 March 2021	RMB28,425,000	45.94%	45.94%	Blood Purification business
成都睿爾凱健康管理有限公司(note (i))	PRC/Limited liability company	2 December 2016	RMB15,000,000	—	33.94%	Inactive

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Notes:

- (i) The subsidiary ceased its operation during the year ended 31 December 2024.
- (ii) The subsidiary incorporated of during the year ended 31 December 2024.
- (iii) Medcore Investment, a wholly-owned subsidiary of the Company, has 48.49% equity interest in Sichuan Ruijian Medical. Although the Group has effective equity interest in Sichuan Ruijian Medical of 48.49%, Medcore Investment had an agreement with the Original Minority Shareholders ensures that their voting rights are exercised in conjunction with Medcore, granting Medcore Investment over 50% of the voting rights on the board.
- (iv) Sichuan Ruijian Medical, a partly-owned subsidiary of the Company, has 100% equity interest in 成都歐賽醫療器械有限公司 and 成都睿爾科維醫療器械有限責任公司.
- (v) 成都歐賽醫療器械有限公司, a partly-owned subsidiary of the Company, has 100% equity interest in 成都慕道爾精密模塑有限公司.
- (vi) 成都睿爾科維醫療器械有限責任公司, a partly-owned subsidiary of the Company, has 94.75% equity interest in 廣州市賽諾康醫療器械有限公司.

40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Investments in and loans to subsidiaries		419,969	419,969
Financial assets at fair value through other comprehensives		26,363	41,456
Total non-current assets		446,332	461,425
Current assets			
Amounts due from subsidiaries		2,314,826	2,440,313
Other receivables		29,034	27,922
Cash and cash equivalents		154,457	223,141
Total current assets		2,498,317	2,691,376
Total ASSETS		2,944,649	3,152,801
Current liabilities			
Amounts due to subsidiaries		257,410	266,031
Trade and other payables		8,528	8,658
Total current liabilities		265,938	274,689
NET ASSETS		2,678,711	2,878,112
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	939	962
Share premium		1,409,678	1,489,876
Other reserves		292,367	291,641
Retained earnings		975,727	1,095,633
TOTAL EQUITY		2,678,711	2,878,112

The statement of financial position of the Company was approved by the Board of Director on 28 March 2025 and was signed on its behalf by:

Yue'e Zhang
DIRECTOR

LIN Junshan
DIRECTOR

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40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

(b) Reserves movement of the Company

	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2023	1,489,876	—	307,034	1,121,979	2,918,889
Profit and total comprehensive income for the year	—	—	—	45,136	45,136
Change in fair value of financial assets at fair value through other comprehensive income	—	—	(30,730)	—	(30,730)
Currency translation differences	—	—	15,452	—	15,452
Lapse of share option	—	—	(115)	115	—
2023 interim dividend paid	—	—	—	(71,597)	(71,597)
At 31 December 2023	1,489,876	—	291,641	1,095,633	2,877,150
Profit and total comprehensive income for the year	—	—	—	14,460	14,460
Change in fair value of financial assets at fair value through other comprehensive income	—	—	(15,760)	—	(15,760)
Currency translation differences	—	—	16,486	—	16,486
Buy-back shares	—	(80,221)	—	—	(80,221)
Cancellation of shares	(33,398)	33,421	—	—	23
2023 dividend paid	—	—	—	(71,661)	(71,661)
2024 interim dividend paid	—	—	—	(62,705)	(62,705)
At 31 December 2024	1,456,478	(46,800)	292,367	975,727	2,677,772

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Market risk

(i) Foreign exchange risk

The Group's major operational activities are carried out in the PRC and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to the Hong Kong dollar ("HK\$") and the United States dollar ("US\$"). The Group does not hedge against any fluctuation in foreign currency during the year. Management may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in the future.

As at 31 December 2024, if HK\$ and US\$ had strengthened/weakened by 3% against RMB (2023: 3%) with all other variables held constant, which were considered reasonably possible at each of the dates by management, the profit for the year would have been approximately RMB11,409,000 (2023: RMB6,912,000) higher/lower, mainly as a result of foreign exchange differences on translation of balances of cash and cash equivalents and bank loan denominated as below:

	2024 RMB'000	2023 RMB'000
Cash and cash equivalents — denominated in		
RMB	1,174,921	1,282,453
HK\$	7,361	3,571
US\$	498,272	303,632
EUR	1,430	—
Total	1,681,984	1,589,656

(ii) Price risk

The Group exposes to commodity price risk, mainly due to the fluctuations in prices of plastic, which are the key raw materials to the Group's products. During the year, the management considers the price risk exposure is not material, and the Group has the flexibility to pass the increases in raw material costs to the Group's customers.

(b) 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, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicated significantly different loss patterns for different customer segments, the grouping for trade receivables for the assessment of ECLs is by customer segments, while Group C represents distributor customers who identified as having significant increase in risk of default and Group D represents three credit-impaired customers with significant risk of default.

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

2024	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	11.79	2.33	100	53.42
Gross carrying amount (RMB'000)	45,160	23,851	1,874	21,160
Loss allowance (RMB'000)	5,323	555	1,874	11,305

2023	Group A	Group B	Group C	Group D
Expected credit loss rate (%)	6.61	2.09	100	52.32
Gross carrying amount (RMB'000)	33,610	28,295	2,063	32,217
Loss allowance (RMB'000)	2,221	590	2,063	16,855

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(b) Credit risk (Continued)****Trade receivables (Continued)**

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

	2024 RMB'000	2023 RMB'000
Balance at 1 January	21,729	25,903
Reversal of impairment losses recognised during the year	(2,672)	(4,174)
Balance at 31 December	19,057	21,729

Other receivables

Other receivables represent advances due from employee, loan and loan interest receivables and rental income receivables. It is considered to be low risk as the borrower is considered, in the short term, to have a strong capacity to meet its obligations, and therefore the impairment provision is determined as 12 months expected credit losses. The loss allowance for debt investments as a result of applying the expected credit risk model was immaterial.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities at the year end of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end) and the earliest date the Group may be required to pay.

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For the year ended 31 December 2024

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

The Group	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
2024					
Non-derivatives:					
Trade and other payables	118,010	118,010	118,010	—	—
Lease liabilities	6,274	6,854	1,938	1,473	3,443
Bank borrowings	5,800	6,200	200	6,000	—
	130,084	131,064	120,148	7,473	3,443
2023					
Non-derivatives:					
Trade and other payables	108,395	108,395	108,395	—	—
Lease liabilities	1,128	1,215	833	382	—
	109,523	109,610	109,228	382	—

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. As at 31 December 2024, the gearing ratio of the Group was approximately 0.12% (2023: nil). This ratio is calculated as bank borrowing divided by total capital. Total borrowings is bank borrowings 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 bank borrowings.



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