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## IVD Medical Holding Limited

華檢醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1931)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### FINANCIAL HIGHLIGHTS

	2021	2020	Change
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	<b>2,730,670</b>	2,428,210	12.5%
Gross profit	<b>566,268</b>	476,165	18.9%
Profit for the year	<b>161,750</b>	154,618	4.6%
Profit attributable to owners of the parent	<b>174,541</b>	158,718	10.0%
Adjusted profit for the year <i>(Note)</i>	<b>200,048</b>	168,047	19.0%
Adjusted profit attributable to owners of the parent <i>(Note)</i>	<b>205,706</b>	172,147	19.5%
<b>Earnings per share</b>			
Basic (RMB cents)	<b>13.19</b>	11.93	10.6%
Diluted (RMB cents)	<b>12.94</b>	11.86	9.1%

For the year ended 31 December 2021 (the “**Reporting Period**”), IVD Medical Holding Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) achieved a revenue of RMB2,730,670 thousand, which represented an increase of 12.5% as compared to the year ended 31 December 2020. Such increase was primarily due to the recovery in end customers’ demand for in vitro diagnostic (“**IVD**”) products as the operation of hospitals gradually recovered from outbreak of the coronavirus disease (“**COVID-19**”) when impact of the COVID-19 decreased, which had a positive influence on the sales capacity of the Group’s IVD products distribution business.

Profit of the Group for the Reporting Period recorded an increase of 4.6% as compared to the year ended 31 December 2020. Such increase was primarily attributable to (i) the recovery of revenue as detailed above; (ii) increase in gross profit margin; and (iii) absence of share options expense amounting to RMB17,906 thousand for the year ended 31 December 2020. Factors above were partially offset by the expenses in relation to employee share-based compensation benefits under a share award scheme adopted on 19 May 2020 (the “**Share Award Scheme**”) amounting to RMB38,555 thousand for the Reporting Period.

The directors of the Company (the “**Directors**”) recommended the payment of a final dividend out of the share premium account under reserves of the Company in the amount of HK5.284 cents per share to shareholders of the Company, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting by way of an ordinary resolution, for the year ended 31 December 2021.

The board (the “**Board**”) of Directors is pleased to announce the financial results of the Group for the year ended 31 December 2021 as below.

*Note:* Adjusted profit for the year and adjusted profit attributable to owners of the parent are non-GAAP financial measures and are calculated by profit for the year and profit attributable to owners of the parent deducting fair value gain on financial assets at fair value through profit or loss, share options expenses, employee share-based compensation benefits under the Share Award Scheme, share of profit/(loss) in a joint venture, deferred tax on fair value adjustments of equity investments at fair value through profit or loss and impairment of property, plant and equipment and intangible assets. Adjusted profit of the Group and adjusted profit attributable to owners of the parent are used to exclude the impact of non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, so as to provide shareholders of the Company and potential investors with useful supplementary information to assess the performance of the Group’s core operations.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>Revenue</b>	4	2,730,670	2,428,210
Cost of sales		<u>(2,164,402)</u>	<u>(1,952,045)</u>
<b>Gross profit</b>		<b>566,268</b>	476,165
Other income and gains	5	26,265	26,415
Selling and distribution expenses		(122,568)	(105,680)
Administrative expenses		(183,850)	(144,090)
Other expenses		(19,206)	(2,897)
Finance costs	6	(20,422)	(23,745)
Fair value gain on financial assets at fair value through profit or loss		13,918	4,542
Share of profits of associates		683	642
Share of profit/(loss) of a joint venture		7,652	(65)
(Impairment)/reversal of impairment of trade receivables	7	<u>(800)</u>	<u>669</u>
<b>Profit before tax</b>	7	<b>267,940</b>	231,956
Income tax expense	8	<u>(106,190)</u>	<u>(77,338)</u>
<b>Profit for the year</b>		<u><b>161,750</b></u>	<u>154,618</u>
<b>Profit for the year attributable to:</b>			
Owners of the parent		174,541	158,718
Non-controlling interests		<u>(12,791)</u>	<u>(4,100)</u>
<b>Profit for the year</b>		<u><b>161,750</b></u>	<u>154,618</u>

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>			
Exchange differences on translation of foreign operations		<u>156</u>	<u>7,080</u>
<b>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</b>			
Exchange differences on translation of the Company's financial statements		<u>(15,110)</u>	<u>(27,097)</u>
<b>Other comprehensive loss for the year, net of tax</b>		<u>(14,954)</u>	<u>(20,017)</u>
<b>Total comprehensive income for the year</b>		<u><b>146,796</b></u>	<u>134,601</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		159,587	137,267
Non-controlling interests		<u>(12,791)</u>	<u>(2,666)</u>
		<u><b>146,796</b></u>	<u>134,601</u>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic (RMB cents)	<i>10</i>	13.19	11.93
Diluted (RMB cents)		<u>12.94</u>	<u>11.86</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>71,695</b>	86,567
Intangible assets		<b>1,654,323</b>	1,648,624
Investments in associates		<b>2,741</b>	4,418
Investment in a joint venture		<b>22,147</b>	11,935
Deferred tax assets		<b>5,167</b>	4,460
Financial assets at fair value through profit or loss		<b>79,485</b>	46,840
Total non-current assets		<b>1,835,558</b>	1,802,844
<b>CURRENT ASSETS</b>			
Inventories		<b>672,683</b>	516,065
Trade and bills receivables	<i>11</i>	<b>553,119</b>	431,844
Prepayments and other receivables		<b>347,091</b>	235,567
Pledged deposits		<b>124,284</b>	132,163
Cash and cash equivalents		<b>834,626</b>	788,613
Total current assets		<b>2,531,803</b>	2,104,252
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>12</i>	<b>492,657</b>	245,372
Other payables and accruals	<i>13</i>	<b>218,797</b>	172,394
Interest-bearing bank borrowings		<b>408,809</b>	252,332
Tax payable		<b>35,636</b>	20,899
Total current liabilities		<b>1,155,899</b>	690,997
<b>NET CURRENT ASSETS</b>		<b>1,375,904</b>	1,413,255
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,211,462</b>	3,216,099

	<i>Notes</i>	<b>2021</b> <b><i>RMB'000</i></b>	2020 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>206,552</b>	197,385
Other payables and accruals	<i>13</i>	<b>11,498</b>	12,451
Interest-bearing bank borrowings		<u>–</u>	<u>146,988</u>
<b>Total non-current liabilities</b>		<u><b>218,050</b></u>	<u>356,824</u>
Net assets		<u><b>2,993,412</b></u>	<u>2,859,275</u>
<b>EQUITY</b>			
Share capital	<i>14</i>	<b>4,632</b>	4,534
Reserves		<u><b>2,974,233</b></u>	<u>2,846,619</u>
		<u><b>2,978,865</b></u>	<u>2,851,153</u>
<b>Non-controlling interests</b>		<u><b>14,547</b></u>	<u>8,122</u>
<b>Total equity</b>		<u><b>2,993,412</b></u>	<u>2,859,275</u>

## NOTES TO FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 1703, Grandtech Centre, 8 On Ping Street, Shatin, Hong Kong. Listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) commenced on 12 July 2019 (the “**Listing**”).

The Company is an investment holding company. During the year, the Company’s subsidiaries were principally engaged in the sale and manufacture of medical equipment and consumables and the provision of maintenance services related to medical equipment.

### 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have measured at fair value. The financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16  
Amendment to IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*COVID-19-Related Rent Concessions beyond 30 June 2021*  
(early adopted)

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in United States dollars based on the London Interbank Offered Rate (“**LIBOR**”) as at 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. There was no impact on the opening balance of equity as at 1 January 2021.

### 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the sale and manufacture of medical equipment and consumables and the provision of maintenance services related to medical equipment. For the purpose of resource allocation and performance assessment, the Group's management focuses on the operating results of the Group. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

#### Geographical information

(a) *Revenue from external customers*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	2,721,009	2,414,787
Others	9,661	13,423
	<u>2,730,670</u>	<u>2,428,210</u>

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	1,748,149	1,749,652
Others	2,757	1,892
	<u>1,750,906</u>	<u>1,751,544</u>

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

#### Information about major customers

During the years ended 31 December 2021 and 2020, no revenue from transactions with a single external customer accounted for 10% or more of the total revenue of the Group.

#### 4. REVENUE

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Sales of trading goods	2,584,320	2,288,136
Sales of manufactured goods	3,914	2,987
Provision of maintenance services	142,436	137,087
	<u>2,730,670</u>	<u>2,428,210</u>

#### 5. OTHER INCOME AND GAINS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Other income</b>		
Bank interest income	1,758	2,101
Rental income	398	511
Government subsidies	19,042	22,974
Others	1,324	829
	<u>22,522</u>	<u>26,415</u>
<b>Gains</b>		
Gain on disposal of property, plant and equipment	87	–
Gain on modification of lease contracts	14	–
Foreign exchange differences, net	3,642	–
	<u>3,743</u>	<u>–</u>
	<u>26,265</u>	<u>26,415</u>

#### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank loans	19,326	22,613
Interest on lease liabilities	1,033	863
Interest on factored trade receivables	63	269
	<u>20,422</u>	<u>23,745</u>

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold*	2,088,885	1,881,919
Cost of services provided*	75,517	70,126
Depreciation of owned assets	25,080	22,981
Depreciation of right-of-use assets	11,684	14,783
Amortisation of intangible assets	2,042	–
Research and development costs	7,274	3,516
Lease payments not included in the measurement of lease liabilities	13,480	5,115
Auditors' remuneration	3,080	2,800
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries*****	133,733	104,929
Equity-settled share option expenses	–	17,906
Employee share-based compensation benefits under the Share Award Scheme	38,555	–
Pension scheme contributions*****	26,025	13,190
	<u>198,313</u>	<u>136,025</u>
Foreign exchange differences, net	(3,642)	1,998**
Impairment/(reversal of impairment) of trade receivables	800	(669)
Impairment of property, plant and equipment**	3,092	–
Impairment of intangible assets**	11,465	–
Write-off of prepayments**	2,579	–
Write-down of inventories to net realisable value***	9,622	3,811
Loss on disposal of an associate**	2,070	–
(Gain)/loss on disposal of items of property, plant and equipment	<u>(87)</u>	<u>899**</u>

\* These expenses are included in “Cost of sales” on the face of the consolidated statement of profit or loss and other comprehensive income

\*\* These expenses are included in “Other expenses” on the face of the consolidated statement of profit or loss and other comprehensive income

\*\*\* These expenses are included in “Cost of inventories sold” above.

\*\*\*\* In 2020, the Group successfully applied for the funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. The amount of RMB557,000 was recognised in “Administrative expenses” and has been offset with the employee benefit expense.

\*\*\*\*\* At 31 December 2021 and 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Tax on profits assessable in Mainland China has been calculated at the applicable PRC corporate income tax (“CIT”) rate of 25% during the year.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current – Hong Kong		
Charge for the year	4,117	3,034
Current – China		
Charge for the year	85,946	72,261
Underprovision in prior years	7,666	59
Deferred	8,461	1,984
	<u>106,190</u>	<u>77,338</u>

## 9. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interim – HK2.66 cents (2020: HK1.672 cents) per ordinary share	30,025	19,873
Proposed Final – HK5.284 cents (2020: HK3.607 cents) per ordinary share	58,004	40,405
	<u>88,029</u>	<u>60,278</u>

The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to owners of the parent used in the basic earnings per share calculation	<u>174,541</u>	<u>158,718</u>
	<b>Number of shares</b>	
	<b>2021</b>	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue less shares held for Award Scheme held by the Company during the year used in the basic earnings per share calculation	<b>1,322,990,000</b>	1,329,978,923
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the year	<b>4,103,782</b>	8,526,573
Assumed issue at no consideration on deemed vesting of all Awarded Shares outstanding during the year	<u>22,178,130</u>	<u>–</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u><b>1,349,271,912</b></u>	<u>1,338,505,496</u>

## 11. TRADE AND BILLS RECEIVABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	<b>547,884</b>	428,023
Impairment	<b>(2,765)</b>	(2,666)
	<b>545,119</b>	425,357
Bills receivables	<b>8,000</b>	6,487
	<b>553,119</b>	431,844

The majority of the Group's sales of products were mainly made on the payment-in-advance basis or granted with credit periods ranging from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. There is a certain concentration of credit risk. The total trade and bills receivables from the five largest debtors at 31 December 2021 represented 41.4% (2020: 41.3%) of the total trade receivables, while 13.8% (2020: 14.5%) of the total trade receivables was due from the largest debtor.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance for impairment of trade and bills receivables, is as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	<b>395,293</b>	301,776
1 to 2 months	<b>57,529</b>	62,100
2 to 3 months	<b>21,011</b>	21,285
Over 3 months	<b>79,286</b>	46,683
	<b>553,119</b>	431,844

## 12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	73,999	29,055
1 to 2 months	66,335	31,740
2 to 3 months	115	757
Over 3 months	352,208	183,820
	<u>492,657</u>	<u>245,372</u>

Included in the trade and bills payables are trade payables of RMB228,000 (2020: RMB510,000) due to an associate which are repayable within 60 days, which represents credit terms similar to those offered by the associate to its major customers.

Trade payables are non-interest-bearing and are normally settled on terms of 60 days.

## 13. OTHER PAYABLES AND ACCRUALS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract liabilities	44,253	36,662
Other payables	50,540	37,189
Accruals	44,256	32,065
Deferred income	334	587
Dividend payables	72,021	53,747
Lease liabilities	18,844	22,475
Amounts due to shareholders	–	312
Amounts due to related parties	–	1,808
Amount due to non-controlling interest	47	–
	<u>230,295</u>	<u>184,845</u>
Less: other payables included in non-current liabilities	<u>(11,498)</u>	<u>(12,451)</u>
	<u>218,797</u>	<u>172,394</u>

## 14. SHARE CAPITAL

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Authorised:		
3,000,000,000 ordinary shares of US\$0.0005 each (2020: 3,000,000,000 ordinary shares of US\$0.0005 each)	<u>10,280</u>	<u>10,280</u>
Issued and fully paid:		
1,352,990,000 ordinary shares of US\$0.0005 each (2020: 1,322,990,000 ordinary shares of US\$0.0005 each)	<u>4,632</u>	<u>4,534</u>

The movements in the Company's issued share capital during the year ended 31 December 2021 and 2020 were as follows:

	Number of ordinary shares	Nominal value of ordinary shares <i>US\$'000</i>	Equivalent to <i>RMB'000</i>
At 1 January 2020	1,333,400,000	667	4,569
Cancellation of shares repurchased ( <i>note a</i> )	<u>(10,410,000)</u>	<u>(5)</u>	<u>(35)</u>
At 31 December 2020 and 1 January 2021	1,322,990,000	662	4,534
Issue of new shares pursuant to the Share Award Scheme ( <i>note b</i> )	<u>30,000,000</u>	<u>15</u>	<u>98</u>
At 31 December 2021	<u>1,352,990,000</u>	<u>677</u>	<u>4,632</u>

### Notes:

- (a) The Company repurchased 10,410,000 of its shares on the Stock Exchange at a total consideration of approximately RMB23,433,000 during the year ended 31 December 2020. The repurchased shares were cancelled during the year ended 31 December 2020.

Details of the shares repurchased by the Company during the year ended 31 December 2020 are summarised below:

Month of repurchase	Number of shares repurchased	Highest price per share <i>RMB</i>	Lowest price per share <i>RMB</i>	Aggregate price <i>RMB'000</i>
June 2020	441,000	2.85	2.72	1,225
July 2020	3,219,000	2.80	2.48	8,534
September 2020	5,144,000	2.12	1.98	10,500
October 2020	<u>1,606,000</u>	<u>2.09</u>	<u>2.01</u>	<u>3,174</u>
	<u>10,410,000</u>			<u>23,433</u>

- (b) 30,000,000 shares of the Company were allotted and issued to the trustee of the Share Award Scheme at par value on 20 April 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

The Group is a leading distributor of IVD products in the People's Republic of China ("PRC"). The Group has also engaged in the research, development, manufacturing and sales of its self-branded IVD products. The Group has been able to increase its market share and profits steadily by taking advantage of its competitive and diverse product portfolio, extensive distribution network and hospital coverage.

During the Reporting Period, the Group recorded a revenue of RMB2,730,670 thousand, representing an increase of 12.5% as compared to the corresponding period of 2020. The Group's profit for the year increased by 4.6% to RMB161,750 thousand.

### Business Segments

The Group's business can be broadly categorised into the following three segments:

- ***Distribution Business***

The distribution of IVD products forms the cornerstone of the Group's business. It primarily involves the trading of IVD analysers, reagents and other consumables to customers such as distributors, hospitals and healthcare institutions and logistics providers. The Group's distribution of IVD products was primarily conducted through Vastec Medical Equipment (Shanghai) Co., Ltd. ("Vastec"), a wholly-owned subsidiary of the Company. Vastec is primarily engaged in the distribution of Sysmex' haemostasis products in the PRC, it has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997 and also procures a diversified portfolio of IVD products from other leading international brands for distribution in the PRC. As of 31 December 2021, approximately 7,034 of Sysmex' haemostasis analysers have been installed by the Group and in use at hospitals and healthcare institutions accumulatively.

Due to the long-term and excellent cooperation with Sysmex, Vastec has signed a new sole five-year distribution agreement of Sysmex's haemostasis products with exclusive distribution rights in the PRC from 1 April 2022 to 31 March 2027.

The Group also provides 4 Thrombotic Markers (*Note 1*) products manufactured by Sysmex to the market. These products adopt high sensitive chemiluminescence technology, which may facilitate early diagnosis of thrombosis and fibrinolysis. As of 31 December 2021, 83 Sysmex' haemostasis immunoassay analysers installed by the Group at the hospitals and healthcare institutions in the PRC performed the 4 Thrombotic Markers.

*Note 1:* 4 Thrombotic Markers refer to: 1) TAT: Thrombin-antithrombin complex 凝血酶-抗凝血酶複合物, 2) PIC: Plasmin- $\alpha$ 2-plasmin inhibitor complex 纖溶酶- $\alpha$ 2 纖溶酶抑制物複合物, 3) TM: Thrombomodulin 血栓調節蛋白, 4) t-PAI-C: Tissue plasminogen activator/plasminogen activator inhibitor-1 complex 組織纖溶酶原激活物-纖溶酶原激活物抑制劑-1 複合物

In addition, the Group provides solution services to the clinical laboratories of hospitals. This has enabled the Group to establish and maintain direct relationships with local medical practitioners so as to keep the Group close to the frontline of the medical practice and the market demand of IVD products. In 2021, the Group provided solution services to eight Class III hospitals in the PRC. Solution services contributed revenue of RMB206,949 thousand for the year ended 31 December 2021, representing an increase of 50.7% as compared to RMB137,292 thousand for the year ended 31 December 2020.

Through years of operations, the Group has established an expansive distribution network across 31 provinces, municipalities and autonomous regions in the PRC with an extensive hospital coverage. As of 31 December 2021, the Group had 290 direct customers, including hospitals and healthcare institutions, and 1,181 distributors in its established distribution network. As of 31 December 2021, the Group also covered 1,537 Class III hospitals mainly through its sub-distribution networks in the PRC, which further enhanced the competitiveness of the Group.

- ***Maintenance Services***

Apart from distributing IVD products in the PRC, the Group also derived its revenue from providing maintenance services to end customers of Sysmex' haemostasis analysers in the PRC. In 2017, Vastec entered into a maintenance services agreement with Sysmex to provide maintenance services to haemostasis analysers procured by its end customers. The maintenance services provided by Vastec generally include maintenance and repair services, installation services and end customer trainings. Vastec primarily provides its maintenance services to hospitals and healthcare institutions. During the Reporting Period, the maintenance services business has been sustainably and steadily developing.

- ***Self-branded Products Business***

The Group has also engaged in the research, development, manufacturing and sales of IVD analysers and reagents under its own brand. The Group's self-branded IVD reagents were manufactured by Suzhou DiagVita Biotechnology Co., Ltd. and Bazoe Medical Co., Ltd., and the Group's IVD analysers were produced by the Group's equipment manufacturers, IVD Medical Equipment (Shanghai) Ltd. and Langmai Biotechnology (Shandong) Co., Ltd.. The Group distributes its self-developed IVD products under its own brand which includes IVD analysers and reagents primarily under the IVD testing category of Point-of-care testing ("POCT"), mass spectrometry and microbiology.

The Group made investments in Bazoe Medical Co., Ltd. and Langmai Biotechnology (Shandong) Co., Ltd. for the self-branded products of mass spectrometry and microbiology during the Reporting Period. The sales of new products from Bazoe Medical Co., Ltd. was less than expected due to impact of the COVID-19. The management of the Company made full impairment amounting to RMB11,465 thousand for the intangible assets of Bazoe Medical Co., Ltd. based on the valuation performed by Roma Appraisals Limited using discount cash flow method. The impairment did not have material influence on operation and financial result of the Group, and the Group will be more cautious on future investments.

## INDUSTRY OVERVIEW

The continual growth of the healthcare market in the PRC is driven by a combination of favourable socioeconomic factors including (i) the growth of the PRC population's disposable income and spending on healthcare, (ii) the increase of the overall PRC population and the accelerated ageing population, (iii) the expansion of the PRC economy, and (iv) strong support from the PRC government on healthcare spending as well as on continuous technological innovation. The Group expects that there will be significant growth potential for the healthcare market, especially the medical device market in the PRC. The integrated distribution value chain of the Group will provide strong support for the Group's development in the future.

According to Qianzhan Intelligence Co., Ltd. ("**Qianzhan**"), by 2026, the PRC IVD market at ex-factory price level is projected to reach RMB272.2 billion with a compound annual growth rate ("**CAGR**") of 20.5% during 2020 to 2026. In the future, the IVD market is expected to grow with the aggravating trend of an ageing population, the growth of medical expenses per capita and the progress of technological development.

The PRC IVD market can be divided into six major segments based on the testing principles: haematology and body fluid, clinical chemistry, immunoassay, molecular, microbiology and POCT. According to Qianzhan, haematology and body fluid test includes haemostasis analysis and urinalysis had a market share of approximately 9.7% in mainland China in 2020 at ex-factory price level.

Haemostasis analysis IVD market in the PRC at ex-factory price level reached RMB4.6 billion in 2020, and the market is highly concentrated. Top three market players dominate the market with a cumulative market share of 79.5%. Sysmex is the market leader by sales revenue, with a total market share of 43.3% in 2020 and penetration rate of 74.0% among China Top 100 Hospitals selected by Hospital Management Institute, Fudan University on 10 November 2019.

Sales revenue of haemostasis analysis IVD products generated by tier 1 distributors in the PRC reached RMB5.3 billion in 2020. By 2026, PRC tier 1 distributed haemostasis analysis IVD market is projected by Qianzhan to reach RMB11.1 billion in terms of sales revenue with a CAGR of 13.3% during 2020 to 2026, an increase from former projection of CAGR of 7.2% due to the decreasing adverse impact of the COVID-19.

## **BUSINESS OUTLOOK AND DEVELOPMENT STRATEGIES**

The Company was successfully listed on the Stock Exchange on 12 July 2019, which provided the Group with a good opportunity to develop in the future. With the help of the capital market, the Group will consolidate its leading position in the IVD industry in the PRC and adopt active development strategies, including but not limited to the following:

### **Expand product portfolio, the reach of distribution network and hospital coverage**

To capitalise on the high growth potential in the IVD market, the Group aims to continuously expand its product portfolio by diversifying product categories, increasing brand coverage, and expanding the breadth of its distribution network and hospital coverage. To achieve these purposes, the Group intends to (i) establish and maintain relationships with well-known IVD manufacturers and suppliers by way of stocking sufficient target IVD products to secure more distribution rights; (ii) strengthen its relationship with hospitals in urban areas, community clinics at the provincial and municipal levels and other customers in rural areas; and (iii) establish a new department and hire more sales personnel to manage the expansion of its distribution coverage.

### **Continue to develop its distribution business by enhancing its capacity in providing solution services**

The Group has been providing solution services to hospitals in the PRC since 2013. By being the general supplier of the clinical laboratory department in such hospitals, the Group participates in the design of laboratory layouts, provides centralised procurement of IVD products, conducts real-time inventory monitoring and provides other after-sale services to clinical laboratories. Through years of operation, the Group has accumulated a wealth of operational experience and a diversified product portfolio, thus being able to promote the same to other hospitals and healthcare institutions. In order to capture the aforementioned trends and opportunities, the Group intends to provide solution services to two new hospitals in 2022. The Group plans to hire more sales personnel to manage the promotion and marketing of solution services of the Group and to stock sufficient IVD products of various brands to strengthen the Group's advantages in centralized procurement. In addition, the Group intends to continuously participate in national and local IVD symposiums and academic conferences to enhance brand awareness.

### **Further improve research and development capabilities of the Group and accelerate the expansion of self-branded products customer base**

Strong research and development capabilities are critical to securing future development and sustainable growth of the Group. The Group intends to invest more resources to further improve its research and development capabilities by acquiring equipment, instruments and hiring experts in the relevant fields. The Group will engage in research projects to further develop its self-branded IVD products which are of promising market potential. The Group is also keen to further strengthen its product quality management, and optimise the performance and applicability of self-developed products to improve market competitiveness. With a high cost performance ratio of own brand/domestic products, the Group will be able to penetrate the mid to low-end market and to establish a broader customer base consisting of medical institutions in second or third-tier cities or those at grassroots level.

## **FINANCIAL REVIEW**

### **Overview**

The financial summary set out below is extracted or calculated from the audited financial statements of the Group for the Reporting Period which were prepared in accordance with International Accounting Standard.

During the Reporting Period, the Group recorded revenue of RMB2,730,670 thousand, representing an increase of RMB302,460 thousand or 12.5% as compared to the corresponding period of 2020.

During the Reporting Period, the Group recorded a net profit for the year of RMB161,750 thousand, representing an increase of RMB7,132 thousand or 4.6% as compared to the corresponding period of 2020. Profit attributable to owners of the parent amounted to RMB174,541 thousand, representing an increase of RMB15,823 thousand or 10.0% as compared to the corresponding period of 2020.

During the Reporting Period, the Group recorded adjusted profit for the year of RMB200,048 thousand, representing an increase of RMB32,001 thousand or 19.0% as compared to the corresponding period of 2020.

**For the year ended 31 December**

	<b>2021</b>	2020	Change
	<b>RMB'000</b>	RMB'000	%
<b>Operating Results</b>			
Revenue	2,730,670	2,428,210	12.5%
Gross Profit	566,268	476,165	18.9%
Earnings before interest and depreciation and amortization (EBITDA)	327,168	293,465	11.5%
Profit attributable to owners of the parent	174,541	158,718	10.0%
Adjusted profit for the year (Note 1)	200,048	168,047	19.0%
Adjusted profit attributable to owners of the parent (Note 1)	<u>205,706</u>	<u>172,147</u>	<u>19.5%</u>

**Financial Ratios**

Gross profit margin (%) (Note 2)	20.7%	19.6%	increased by 1.1 percentage point
Net profit margin (%) (Note 2)	5.9%	6.4%	decreased by 0.5 percentage point
Adjusted profit for the year margin (%) (Note 3)	7.3%	6.9%	increased by 0.4 percentage point
Return on assets (%) (Note 2)	3.9%	4.0%	decreased by 0.1 percentage point
Return on equity (%) (Note 2)	6.0%	5.6%	increased by 0.4 percentage point
Average turnover days of trade receivables (days) (Note 2)	<u>66</u>	<u>62</u>	<u>4</u>
Average turnover days of inventory (days) (Note 2)	<u>100</u>	<u>106</u>	<u>(6)</u>
Average turnover days of trade payables (days) (Note 2)	<u>62</u>	<u>55</u>	<u>7</u>

**31 December**

	<b>2021</b>	2020	Change
	<b>RMB'000</b>	RMB'000	%
<b>Financial Position</b>			
Total assets	4,367,361	3,907,096	11.8%
Equity attributable to owners of the parent	2,978,865	2,851,153	4.5%
Cash and cash equivalents	<u>834,626</u>	<u>788,613</u>	<u>5.8%</u>
<b>Financial Ratios</b>			
Current ratio (times) (Note 2)	2.2	3.0	(0.8)
Quick ratio (times) (Note 2)	1.6	2.3	(0.7)
Debt to equity ratio (times) (Note 2)	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>

*Note 1:* Adjusted profit for the year and adjusted profit attributable to owners of the parent are non-GAAP financial measures and are calculated by profit for the year and profit attributable to owners of the parent deducting fair value gain on financial assets at fair value through profit or loss, share options expenses, employee share-based compensation benefits under the Share Award Scheme, share of profit/(loss) in a joint venture, deferred tax on fair value adjustments of equity investments at fair value through profit or loss and impairment of property, plant and equipment and intangible assets.

*Note 2:* Gross profit margin equals gross profit divided by revenue.

Net profit margin equals net profit divided by revenue.

Return on assets equals net profit divided by average total assets during the reporting period.

Return on equity equals net profit attributable to owner of the Company divided by average equity attributable to owner of the Company during the reporting period.

Average turnover days of trade receivables equal to the average of the opening and closing balances of trade receivables of the reporting period divided by revenue and multiplied by 365 days.

Average inventory turnover days equal to the average of the opening and closing balances of inventories of the reporting period divided by cost of sales and multiplied by 365 days.

Average turnover days of trade payables equal to the average of the opening and closing balances of trade payables of the reporting period divided by cost of sales and multiplied by 365 days.

Current ratio equals total current assets divided by total current liabilities as at the end of the reporting period.

Quick ratio equals total current assets less inventories divided by total current liabilities as at the end of the reporting period.

Debt to equity ratio equals total debt divided by total equity as at the end of the reporting period. Debt means interest-bearing borrowings.

*Note 3:* Adjusted profit for the year margin is a financial ratio and is calculated by adjusted profit for the year (the calculation method is the same as set out in Note 1 above), a non-GAAP financial measures, divided by the revenue for the year.

## **Revenue**

Revenue of the Group amounted to RMB2,730,670 thousand for the year ended 31 December 2021, representing an increase of 12.5% as compared to RMB2,428,210 thousand for the year ended 31 December 2020. Such increase was primarily due to the recovery in end customers' demand for IVD products as the operation of hospitals gradually recovered from outbreak of the COVID-19 when impact of the COVID-19 decreased, which had a positive influence on the Group's IVD products distribution business.

### ***Revenue by business segment***

The table below sets out the breakdown of the Group's revenue by business segment for the years indicated:

<b>Business segment</b>	<b>For the year ended 31 December</b>				<b>Change</b>
	<b>2021</b>		<b>2020</b>		
	<b><i>RMB'000</i></b>	<b><i>%</i></b>	<b><i>RMB'000</i></b>	<b><i>%</i></b>	
Distribution business	<b>2,584,320</b>	<b>94.7</b>	2,288,136	94.2	12.9%
Maintenance services	<b>142,436</b>	<b>5.2</b>	137,087	5.7	3.9%
Self-branded products business	<b>3,914</b>	<b>0.1</b>	2,987	0.1	31.0%
<b>Total</b>	<b><u>2,730,670</u></b>	<b><u>100.0</u></b>	<b><u>2,428,210</u></b>	<b><u>100.0</u></b>	<b><u>12.5%</u></b>

### ***Revenue by product type***

The table below sets out the breakdown of the Group's revenue generated from distribution business and self-branded products business by product type for the years indicated:

<b>Product type</b>	<b>For the year ended 31 December</b>				<b>Change</b>
	<b>2021</b>		<b>2020</b>		
	<b><i>RMB'000</i></b>	<b><i>%</i></b>	<b><i>RMB'000</i></b>	<b><i>%</i></b>	
IVD analysers					
– Distribution business	<b>388,011</b>	<b>15.0</b>	531,608	23.2	(27.0%)
– Self-branded products business	<b>447</b>	<b>0.0</b>	262	0.0	70.6%
<b>Subtotal</b>	<b><u>388,458</u></b>	<b><u>15.0</u></b>	<b><u>531,870</u></b>	<b><u>23.2</u></b>	<b><u>(27.0%)</u></b>
IVD reagents and other consumables					
– Distribution business	<b>2,196,309</b>	<b>84.9</b>	1,756,528	76.7	25.0%
– Self-branded products business	<b>3,467</b>	<b>0.1</b>	2,725	0.1	27.2%
<b>Subtotal</b>	<b><u>2,199,776</u></b>	<b><u>85.0</u></b>	<b><u>1,759,253</u></b>	<b><u>76.8</u></b>	<b><u>25.0%</u></b>
<b>Total</b>	<b><u>2,588,234</u></b>	<b><u>100.0</u></b>	<b><u>2,291,123</u></b>	<b><u>100.0</u></b>	<b><u>13.0%</u></b>

## Revenue by channel

The table below sets out the breakdown of the Group's revenue generated from distribution business and self-branded products business by sales channels for the years indicated:

Sales channel	For the year ended 31 December				Change
	2021		2020		
	RMB'000	%	RMB'000	%	
Distribution business					
– Distributors	2,154,139	83.2	1,948,636	85.1	10.5%
– Hospitals and healthcare institutions	310,498	12.0	247,138	10.8	25.6%
– Logistics providers	119,683	4.6	92,362	4.0	29.6%
Subtotal	2,584,320	99.8	2,288,136	99.9	12.9%
Self-branded products business					
– Distributors	3,885	0.2	2,905	0.1	33.7%
– Hospitals and healthcare institutions	29	0.0	16	0.0	81.3%
– Logistics providers	–	–	66	0.0	(100.0%)
Subtotal	3,914	0.2	2,987	0.1	31.0%
Total	2,588,234	100.0	2,291,123	100.0	13.0%

## Cost of sales

Cost of sales of the Group amounted to RMB2,164,402 thousand for the year ended 31 December 2021, representing an increase of 10.9% as compared to RMB1,952,045 thousand for the year ended 31 December 2020. Such increase was primarily due to the recovery in end customers' demand for IVD products as the operation of hospitals gradually recovered from outbreak of the COVID-19 when impact of the COVID-19 decreased during the year ended 31 December 2021.

### *Cost of sales by business segment*

The table below sets out the breakdown of the Group's cost of sales by business segment for the years indicated:

<b>Business segment</b>	<b>For the year ended 31 December</b>				<b>Change</b>
	<b>2021</b>		<b>2020</b>		
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	
Distribution business	<b>2,086,986</b>	<b>96.4</b>	1,880,754	96.3	11.0%
Maintenance services	<b>75,517</b>	<b>3.5</b>	70,126	3.6	7.7%
Self-branded products business	<b>1,899</b>	<b>0.1</b>	1,165	0.1	63.0%
<b>Total</b>	<b><u>2,164,402</u></b>	<b><u>100.0</u></b>	<b><u>1,952,045</u></b>	<b><u>100.0</u></b>	<b><u>10.9%</u></b>

### *Cost of sales by product type*

The table below sets out the breakdown of the Group's cost of sales for distribution business and self-branded products business by product type for the years indicated:

<b>Product type</b>	<b>For the year ended 31 December</b>				<b>Change</b>
	<b>2021</b>		<b>2020</b>		
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	
IVD analysers					
– Distribution business	<b>337,865</b>	<b>16.2</b>	466,010	24.8	(27.5%)
– Self-branded products business	<b>399</b>	<b>0.0</b>	188	0.0	112.2%
<b>Subtotal</b>	<b><u>338,264</u></b>	<b><u>16.2</u></b>	<b><u>466,198</u></b>	<b><u>24.8</u></b>	<b><u>(27.4%)</u></b>
IVD reagents and other consumables					
– Distribution business	<b>1,749,121</b>	<b>83.7</b>	1,414,744	75.1	23.6%
– Self-branded products business	<b>1,500</b>	<b>0.1</b>	977	0.1	53.5%
<b>Subtotal</b>	<b><u>1,750,621</u></b>	<b><u>83.8</u></b>	<b><u>1,415,721</u></b>	<b><u>75.2</u></b>	<b><u>23.7%</u></b>
<b>Total</b>	<b><u>2,088,885</u></b>	<b><u>100.0</u></b>	<b><u>1,881,919</u></b>	<b><u>100.0</u></b>	<b><u>11.0%</u></b>

## Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. Gross profit of the Group amounted to RMB566,268 thousand for the year ended 31 December 2021, representing an increase of 18.9% as compared to RMB476,165 thousand for the year ended 31 December 2020. Such increase was primarily attributable to the recovery in end customers' demand for IVD products as the operation of hospitals gradually recovered from outbreak of the COVID-19 when impact of the COVID-19 decreased.

Gross profit margin is calculated as gross profit divided by revenue. Gross profit margin of the Group was 20.7% for the year ended 31 December 2021, which increased from 19.6% for the year ended 31 December 2020. The increase of gross profit margin was primarily attributable to the increase in the proportion of sales of IVD reagents and other consumables with relatively higher gross profit margin, and the decrease in the proportion of sales of IVD analysers with relatively low gross profit margin.

### *Gross profit and gross profit margin by business segment*

The table below sets out the breakdown of the Group's gross profit and gross profit margin by business segment for the years indicated:

Business segment	For the year ended 31 December				Change
	2021		2020		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
Distribution business					
– IVD reagents and other consumables	447,188	20.4	341,784	19.5	30.8%
– IVD analysers	50,146	12.9	65,598	12.3	(23.6%)
Subtotal	497,334	19.2	407,382	17.8	22.1%
Maintenance services	66,919	47.0	66,961	48.8	(0.1%)
Self-branded products business					
– IVD reagents and other consumables	1,967	56.7	1,748	64.1	12.5%
– IVD analysers	48	10.7	74	28.2	(35.1%)
Subtotal	2,015	51.5	1,822	61.0	10.6%
Total	566,268	20.7	476,165	19.6	18.9%

### ***Gross profit and gross profit margin by product type***

The table below sets out the breakdown of the Group's gross profit and gross profit margin generated from distribution business and self-branded products business by product type for the years indicated:

Product type	For the year ended 31 December				Change
	2021		2020		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
IVD analysers					
– Distribution business	50,146	12.9	65,598	12.3	(23.6%)
– Self-branded products business	48	10.7	74	28.2	(35.1%)
Subtotal	<u>50,194</u>	<u>12.9</u>	<u>65,672</u>	<u>12.3</u>	<u>(23.6%)</u>
IVD reagents and other consumables					
– Distribution business	447,188	20.4	341,784	19.5	30.8%
– Self-branded products business	1,967	56.7	1,748	64.1	12.5%
Subtotal	<u>449,155</u>	<u>20.4</u>	<u>343,532</u>	<u>19.5</u>	<u>30.7%</u>
Total	<u><u>499,349</u></u>	<u><u>19.3</u></u>	<u><u>409,204</u></u>	<u><u>17.9</u></u>	<u><u>22.0%</u></u>

## Other income and gains

Other income and gains of the Group amounted to RMB26,265 thousand for the year ended 31 December 2021.

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Other income		
Bank interest income	1,758	2,101
Rental income	398	511
Government subsidies	19,042	22,974
Others	1,324	829
	<u>22,522</u>	<u>26,415</u>
Gains		
Gain on disposal of property, plant and equipment	87	–
Gain on modification of lease contracts	14	–
Foreign exchange differences, net	3,642	–
	<u>3,743</u>	<u>–</u>
	<u><u>26,265</u></u>	<u><u>26,415</u></u>

## Selling and distribution expenses

Selling and distribution expenses of the Group amounted to RMB122,568 thousand for the year ended 31 December 2021, representing an increase of 16.0% as compared to RMB105,680 thousand for the year ended 31 December 2020. Such increase was in line with the growth of revenue of the Group.

## Administrative expenses

Administrative expenses of the Group amounted to RMB183,850 thousand for the year ended 31 December 2021, representing an increase of 27.6% as compared to RMB144,090 thousand for the year ended 31 December 2020. Such increase was primarily due to (i) the increase in the scale of Group's business, (ii) employee share-based compensation benefits under the Share Award Scheme amounting to RMB38,555 thousand for the Reporting Period, and (iii) offset by the absence of share option expenses of RMB17,906 thousand for the year ended 31 December 2020.

## Other expenses

Other expenses of the Group amounted to RMB19,206 thousand for the year ended 31 December 2021, representing an increase of 563.0% as compared to RMB2,897 thousand for the year ended 31 December 2020. Such significant increase was primarily due to the one-off impairment of property, plant and equipment and intangible assets.

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange differences, net	–	1,998
Impairment of intangible assets	<b>11,465</b>	–
Impairment of property, plant and equipment	<b>3,092</b>	–
Loss on disposal of an associate	<b>2,070</b>	–
Write-off of prepayments	<b>2,579</b>	–
Loss on disposal of items of property, plant and equipment	–	899
	<b>19,206</b>	<b>2,897</b>

## Finance costs

Finance costs of the Group amounted to RMB20,422 thousand for the year ended 31 December 2021, representing a decrease of 14.0% as compared to RMB23,745 thousand for the year ended 31 December 2020. Such decrease was primarily due to the decrease of average bank borrowings during the Reporting Period.

## Profit for the year

Profit of the Group for the year amounted to RMB161,750 thousand for the year ended 31 December 2021, representing an increase of 4.6% as compared to RMB154,618 thousand for the year ended 31 December 2020. Such increase was primarily attributable to (i) the recovery of revenue as detailed above; (ii) the increase in gross profit margin; and (iii) offset by the absence of share options expense amounting to RMB17,906 thousand for the year ended 31 December 2020. Factors above were partially offset by the expenses in relation to employee share-based compensation benefits under the Share Award Scheme amounting to RMB38,555 thousand for the Reporting Period.

## Adjusted profit for the year

Adjusted profit of the Group is a non-GAAP financial measure used to exclude the impact of non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, so as to provide the shareholders of the Company (the “Shareholders”) and potential investors with useful supplementary information to assess the performance of the Group’s core operations. Adjusted profit of the Group for the year is calculated by profit for the year deducting fair value gain on financial assets at fair value through profit or loss, share of profit/(loss) in a joint venture, employee share-based compensation benefits under the Share Award Scheme, share options expense, deferred tax on fair value adjustments of equity investments at fair value through profit or loss and impairment of property, plant and equipment and intangible assets. Adjusted profit of the Group for the year amounted to RMB200,048 thousand for the year ended 31 December 2021, representing an increase of 19.0% as compared to RMB168,047 thousand for the year ended 31 December 2020. Such increase was primarily attributable to (i) the recovery in end customers’ demand for IVD products as the operation of hospitals gradually recovered from outbreak of the COVID-19 when impact of the COVID-19 decreased during the year ended 31 December 2021; and (ii) the increase in gross profit margin.

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Profit for the year	<b>161,750</b>	154,618
Adjusted for non-operating items:		
Fair value gain on financial assets at fair value through profit or loss	<b>(13,918)</b>	(4,542)
Share of (profit)/loss on a joint venture	<b>(7,652)</b>	65
Employee share-based compensation benefits under the Share Award Scheme	<b>38,555</b>	–
Share options expenses	–	17,906
Deferred tax on fair value adjustments of equity investments at fair value through profit or loss	<b>6,756</b>	–
Impairment of property, plant and equipment	<b>3,092</b>	–
Impairment of intangible assets	<b>11,465</b>	–
Adjusted profit for the year	<b><u>200,048</u></b>	<u>168,047</u>

## **Liquidity and financial resources**

As of 31 December 2021, the Group had cash and cash equivalents of RMB834,626 thousand (primarily denominated in HK\$, RMB and US\$), as compared to RMB788,613 thousand as of 31 December 2020. The approach adopted by the Board to manage the liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

## **Capital structure**

As of 31 December 2021, the Group's total equity attributable to owners of the parent was RMB2,978,865 thousand (31 December 2020: RMB2,851,153 thousand), comprising share capital of RMB4,632 thousand (31 December 2020: RMB4,534 thousand) and reserves of RMB2,974,233 thousand (31 December 2020: RMB2,846,619 thousand).

## **Net current assets**

The Group had net current assets of RMB1,375,904 thousand as of 31 December 2021, representing a decrease of RMB37,351 thousand as compared to RMB1,413,255 thousand as of 31 December 2020.

## **Interest rate risk**

The Group's exposure to the risk of changes in market interest rates primarily relates to its cash and bank balances and interest-bearing bank borrowings. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

## **Foreign currency risk**

The Group faces transactional currency exposures arising from bank deposits held by operating units in currencies other than the units' functional currency. The currencies giving rise to such risk are primarily US\$ and HK\$. For the year ended 31 December 2021, the Group recorded a net exchange gain of RMB3,642 thousand, as compared to a net exchange loss of RMB1,998 thousand for the year ended 31 December 2020. As of 31 December 2021, the Group did not have any significant hedging arrangements to manage foreign exchange risks but has been actively monitoring and overseeing its foreign exchange risks.

## **Material asset valuation**

Management of the Company has engaged Roma Appraisals Limited to perform the impairment assessments on the Distribution CGU and Mass Spectrometry CGU for the year ended 31 December 2021, which was based on value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The recoverable amount of the Distribution CGU has a significant headroom of not less than RMB100 million over the carrying amount of net assets of Distribution CGU. Management, based on the sensitivity analysis performed, is not aware of any reasonably possible changes in a key assumption used that would cause a cash generating unit's carrying amount to exceed its recoverable amount.

The recoverable amount of the Mass Spectrometry CGU was less than the carrying amount of net assets of the Mass Spectrometry CGU. Management, based on the valuation performed by Roma Appraisals Limited using discount cash flow method, made full impairment amounting to RMB11,465 thousand for intangible assets of Mass Spectrometry CGU. The impairment did not have material influence on operation and financial result of the Group.

### **Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control.

### **Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and projected cash flows from operations.

### **Capital expenditure**

For the year ended 31 December 2021, the Group's total capital expenditure amounted to approximately RMB25,232 thousand, which was primarily used in property, plant and equipment.

### **Charge/pledge of assets**

As of 31 December 2021, the Group's bank deposits of approximately RMB124,284 thousand were pledged to secure the Group's letter of credit in the aggregate amount of RMB414,196 thousand.

### **Borrowings**

The Group had bank borrowings of RMB408,809 thousand as of 31 December 2021 denominated in US\$ and RMB, among which RMB153,726 thousand bore interest at fixed rates. All of the Group's bank borrowings as of 31 December 2021 were repayable on or before 31 December 2022, among which RMB255,083 thousand were pledged with shares in the Company's subsidiaries.

### **Contingent liabilities and guarantees**

As of 31 December 2021, the Group did not have any material contingent liabilities, guarantees or litigation against it (as of 31 December 2020: nil).

### **Gearing ratio**

As of 31 December 2021, the Group's gearing ratio, which is equivalent to total debt divided by total assets, was approximately 9.4% (as of 31 December 2020: 10.2%).

## Significant investments

As of 31 December 2021, the Group did not hold any significant investments in the equity interests of other companies.

## Future plans for material investments and capital assets

As of 31 December 2021, the Group did not have any capital commitments (as of 31 December 2020: nil) to acquire property, plant or equipment.

As of 31 December 2021, the Group did not have other plans for material investments and capital assets, save for the planned capital expenditure as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 29 June 2019 (the “**Prospectus**”). The funding requirements will be satisfied by a combination of internally generated cash, external borrowings and other funds raised from the capital markets from time to time, in addition to the net proceeds from the initial public offering of the Company.

## Share option schemes

To attract and retain more suitable personnel for development of the Group, the Group has adopted a pre-initial public offering share option scheme (the “**ESOP**”) as approved on 29 December 2017 and further amended on 27 March 2019 and a share option scheme (the “**Share Option Scheme**”) as approved on 21 June 2019, details of which were set out in the Prospectus. From the date of the adoption and up to the date of this announcement, 32,507,627 share options under the ESOP and 26,668,000 share options under the Share Option Scheme have been granted, and 19,504,576 share options under the ESOP have lapsed.

## Share Award Scheme

To recognise the contributions by certain employees of the Group and to provide incentives thereto to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group, the Group has adopted the Share Award Scheme.

On 15 December 2020, the Board resolved to allot and issue 30,000,000 new shares of the Company (the “**Awarded Shares**”) to the trustee under the general mandate granted by the Shareholders at the annual general meeting of the Company held on 3 June 2020 in order to grant awards to certain employees pursuant to the Share Award Scheme.

On 29 March 2021, the Board resolved to grant the Awarded Shares to 405 Selected Employees (the “**Grantees**”) in accordance with the terms of the Scheme at nil consideration. Each of the Grantees is an employee of the Company or its subsidiaries.

On 20 April 2021, the Awarded Shares had been issued under the Share Award Scheme of the Company adopted on 19 May 2020 at an issue price of US\$0.0005 (same as the nominal value of each share of the Company), with a total subscription monies of US\$15,000. Such proceeds have been applied for operation of the Company.

## **Employee and remuneration policy**

As of 31 December 2021, the Group had 743 employees (as of 31 December 2020: 737 employees). Total staff remuneration expenses, including remuneration for Directors, for the year ended 31 December 2021 amounted to RMB198,313 thousand (for the year ended 31 December 2020: RMB136,025 thousand).

Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice.

In addition to salary payments, other staff benefits include social insurance and housing provident contribution made by the Group, performance-based compensation, bonus, share option and share award.

## **Subsequent events**

The Group did not have any material event since the end of the Reporting Period and up to the date of this announcement.

## **SUPPLEMENTAL INFORMATION**

### **Purchase, sale or redemption of the company's listed securities**

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **Material acquisitions and disposals of subsidiaries, associates or joint ventures**

The Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures for the year ended 31 December 2021.

### **Compliance with the model code for securities transactions by directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) regarding securities transactions by the Directors.

All Directors have confirmed, following specific enquiries by the Company, that they have complied with the Model Code throughout the Reporting Period.

### **Compliance with the code on corporate governance practices**

During the Reporting Period, save for the code provision addressed below, the Company has complied with all the applicable code provisions as set out in Part 2 of Appendix 14 to the Listing Rules.

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The chairman and chief executive officer of the Company are held by Mr. Ho Kuk Sing who is one of the founders of the Group and has extensive experience in the industry.

The Board believes that Mr. Ho Kuk Sing can provide the Company with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies.

The Board is of the view that given that Mr. Ho Kuk Sing had been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under his strong and consistent leadership, and should be overall beneficial to the management and development of the Group's business.

### **Scope of work of Ernst & Young**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 set out in this announcement have been agreed by Ernst & Young to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

### **Review by the audit committee**

The Audit Committee of the Company consists of 3 independent non-executive Directors, namely Mr. Lau Siu Ki (Chairman), Mr. Zhong Renqian and Mr. Leung Ka Sing.

The Group's annual results for the year ended 31 December 2021 have been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was of the opinion that the Group's annual results were prepared in accordance with applicable accounting standards. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

### **Public float**

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times during the Reporting Period as required under the Listing Rules.

### **Pre-emptive rights**

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

## **Annual general meeting**

The annual general meeting of the Company for the year ended 31 December 2021 (the “AGM”) is currently scheduled to be held on 20 May 2022. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

## **Proposed declaration and payment of final dividend out of the share premium account under reserves**

The Board recommended the payment of a final dividend for the year ended 31 December 2021 out of the share premium account under reserves of the Company (the “**Share Premium Account**”) in the amount of HK5.284 cents per share to Shareholders, subject to the approval of Shareholders at the forthcoming AGM by way of an ordinary resolution. The final dividend is intended to be paid entirely out of the Share Premium Account under reserves pursuant to the Articles of Association and in accordance with the Cayman Companies Act. As at 31 December 2021, based on the consolidated financial statements of the Group, the amount standing to the credit of the Share Premium Account under reserves amounted to approximately RMB2,415,733 thousand. The Board proposed to use an amount of approximately RMB58,004 thousand standing to the credit of the Share Premium Account under reserves for the payment of the final dividend. Following the payment of the final dividend on the basis of 1,352,990,000 Shares in issue as at the date of this announcement, there will be a remaining balance of approximately RMB2,357,729 thousand standing to the credit of the Share Premium Account under reserves.

## **Conditions of the payment of the final dividend out of the share premium account under reserves**

The payment of the final dividend out of the Share Premium Account under reserves is conditional upon the satisfaction of the following conditions:

- (a) the passing of an ordinary resolution by the Shareholders approving the declaration and payment of the final dividend out of the Share Premium Account under reserves pursuant to the Articles of Association; and
- (b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the final dividend is paid, unable to pay its liabilities as they fall due in the ordinary course of business.

The conditions set out above cannot be waived. If such conditions are not satisfied, the final dividend will not be paid.

Subject to the fulfilment of the above conditions, it is expected that the final dividend will be paid in cash on or around Monday, 6 June 2022 to the qualifying Shareholders whose names appear on the register of members of the Company at close of business on Thursday, 26 May 2022, being the record date for determining the entitlements to the final dividend.

## **Reasons for payment of the final dividend out of the share premium account under reserves**

The Board considers it unnecessary to maintain the Share Premium Account under reserves at its current level. In recognition of the Shareholders’ support, the Directors consider that the declaration and payment of the final dividend out of the Share Premium Account under reserves is in the interests of the Company and its Shareholders as a whole.

## **Effect of the payment of the final dividend out of the share premium account under reserves**

The implementation of the payment of the final dividend out of the Share Premium Account under reserves does not involve any reduction in the authorized or issued share capital of the Company, nor does it involve any reduction in the nominal value of the Shares or the trading arrangements concerning the Shares. Save for the immaterial expenses incurred as a result of the payment of the final dividend, the Directors consider that the payment of the final dividend out of the Share Premium Account under reserves will not have any material adverse effect on the financial position of the Group.

## **Closure of register of members**

The register of members of the Company will be closed for the following periods:

- (a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 17 May 2022 to Friday, 20 May 2022, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Monday, 16 May 2022.
- (b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from Thursday, 26 May 2022 to Friday, 27 May 2022, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Wednesday, 25 May 2022.

## **Disclosure of information**

This announcement has been published on the websites of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.ivdholding.com>). The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and on the same websites in due course.

By Order of the Board  
**IVD Medical Holding Limited**  
**Ho Kuk Sing**  
*Chairman and Executive Director*

Hong Kong, 18 March 2022

*As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Ho Kuk Sing, Mr. Leung King Sun and Mr. Lin Xianya, three non-executive directors, namely, Mr. Yang Zhaoxu, Ms. Yao Haiyun and Mr. Chan Kwok King, Kingsley and three independent non-executive directors, namely, Mr. Lau Siu Ki, Mr. Zhong Renqian and Mr. Leung Ka Sing.*