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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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

#### FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of IVD Medical Holding Limited (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), which have been reviewed by the Company’s audit committee (the “**Audit Committee**”) and have been approved by the Board on 19 August 2022. The financial highlights of the Group during the Reporting Period together with the comparative figures for the corresponding previous period are set out as follows:

	Six months ended 30 June		Change
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	
Revenue	1,176,557	1,186,791	(0.9%)
Gross profit	266,423	239,889	11.1%
Profit for the period	69,701	77,361	(9.9%)
Profit attributable to owners of the parent	81,149	78,887	2.9%
Adjusted profit for the period ( <i>Note</i> )	96,773	90,683	6.7%
Adjusted profit attributable to owners of the parent ( <i>Note</i> )	98,654	92,209	7.0%
<b>Earnings per share</b>			
Basic (RMB cents)	6.07	5.96	0.11
Diluted (RMB cents)	5.98	5.88	0.10

For the Reporting Period, the Group achieved a revenue of RMB1,176,557 thousand, which represented a decrease of 0.9% as compared to the same period of 2021. Such decrease was primarily due to a temporary decrease in end customers' demand for in vitro diagnostic (“**IVD**”) products resulting from close-down of hospitals and other quarantine and social distancing measures put in place in mainland China in response to pandemic of the coronavirus disease (“**COVID-19**”) for the Reporting Period.

Profit of the Group for the Reporting Period also recorded a decrease of 9.9% as compared to the same period of 2021. Such decrease was primarily due to the increase in gross profit margin and offset by the impairment of property, plant and equipment and intangible assets amounting to RMB19,524 thousand.

*Note:* Adjusted profit for the period and adjusted profit attributable to owners of the parent are non-GAAP financial measures and are calculated by profit for the period and profit attributable to owners of the parent excluding expenses in relation to employee share-based compensation benefits under the Share Award Scheme, fair value loss on financial assets at fair value through profits or loss, share of loss in a joint venture, impairment of property, plant and equipment and intangible assets and tax of employee share-based compensation benefits under the Share Award Scheme. Adjusted profit is 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.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*Six months ended 30 June 2022*

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>1,176,557</b>	1,186,791
Cost of sales		<u>(910,134)</u>	<u>(946,902)</u>
<b>Gross profit</b>		<b>266,423</b>	239,889
Other income and gains	5	<b>1,377</b>	14,789
Selling and distribution expenses		<b>(45,999)</b>	(46,277)
Administrative expenses		<b>(77,395)</b>	(79,192)
Other expenses		<b>(21,761)</b>	(513)
Finance costs		<b>(11,911)</b>	(8,925)
Fair value (loss)/gain on financial assets at fair value through profit or loss		<b>(6,981)</b>	170
Share of profits of associates		<b>561</b>	285
Share of loss of a joint venture		<b>(216)</b>	(1)
Impairment of trade receivables		<b>(603)</b>	(1,267)
<b>Profit before tax</b>	6	<b>103,495</b>	118,958
Income tax expense	7	<b>(33,794)</b>	(41,597)
<b>Profit for the period</b>		<b>69,701</b>	77,361
<b>Profit for the period attributable to:</b>			
Owners of the parent		<b>81,149</b>	78,887
Non-controlling interests		<b>(11,448)</b>	(1,526)
<b>Profit for the period</b>		<b>69,701</b>	77,361

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
<b>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</b>		
Exchange differences on translation of foreign operations	<u>(2,795)</u>	<u>2,670</u>
<b>Other comprehensive income/(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>26,306</u>	<u>(6,981)</u>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<u>23,511</u>	<u>(4,311)</u>
<b>Total comprehensive income for the period</b>	<u>93,212</u>	<u>73,050</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	<u>104,660</u>	<u>74,576</u>
Non-controlling interests	<u>(11,448)</u>	<u>(1,526)</u>
	<u>93,212</u>	<u>73,050</u>
<b>Earnings per share attributable to owners of the parent</b>		
	<i>9</i>	
Basic (RMB cents)	<u>6.07</u>	<u>5.96</u>
Diluted (RMB cents)	<u>5.98</u>	<u>5.88</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		<b>30 June 2022</b>	31 December 2021
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	70,711	71,695
Intangible assets		1,635,885	1,654,323
Investments in associates		6,402	2,741
Investment in a joint venture		31,931	22,147
Prepayments and other receivables		11,000	–
Deferred tax assets		4,867	5,167
Financial assets at fair value through profit or loss		62,161	79,485
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>1,822,957</b>	<b>1,835,558</b>
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		752,490	672,683
Trade and bills receivables	11	448,477	553,119
Prepayments and other receivables		373,266	347,091
Pledged deposits		119,687	124,284
Cash and cash equivalents		985,811	834,626
		<hr/>	<hr/>
<b>Total current assets</b>		<b>2,679,731</b>	<b>2,531,803</b>
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and bills payables	12	314,139	492,657
Other payables and accruals		206,221	218,797
Interest-bearing bank borrowings		429,977	408,809
Tax payable		10,347	35,636
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>960,684</b>	<b>1,155,899</b>
		<hr/>	<hr/>
<b>Net current assets</b>		<b>1,719,047</b>	<b>1,375,904</b>
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>3,542,004</b>	<b>3,211,462</b>
		<hr/> <hr/>	<hr/> <hr/>

		<b>30 June 2022</b>	31 December 2021
	<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>205,321</b>	206,552
Other payables and accruals		<b>14,718</b>	11,498
Interest-bearing bank borrowings		<b>280,960</b>	–
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>500,999</b>	218,050
		<hr/>	<hr/>
<b>Net assets</b>		<b>3,041,005</b>	2,993,412
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
Share capital	<i>13</i>	<b>4,637</b>	4,632
Reserves		<b>3,033,269</b>	2,974,233
		<hr/>	<hr/>
		<b>3,037,906</b>	2,978,865
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>3,099</b>	14,547
		<hr/>	<hr/>
<b>Total equity</b>		<b>3,041,005</b>	2,993,412
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The principal activities of the Group are described in note 3 to the interim condensed consolidated financial information.

#### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

#### 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of following International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

### 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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Mainland China	1,172,545	1,181,655
Others	4,012	5,136
	<u>1,176,557</u>	<u>1,186,791</u>

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

##### (b) Non-current assets

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
	Mainland China	1,740,843
Others	4,086	2,757
	<u>1,744,929</u>	<u>1,750,906</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 six months ended 30 June 2022 and 2021, no revenue from transaction with a single customer amounted to 10% or more of the Group's total revenue.

#### 4. REVENUE

An analysis of revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>
Revenue from contracts with customers		
Sales of trading goods	<b>1,097,468</b>	1,124,314
Sales of manufactured goods	<b>1,803</b>	1,988
Provision of maintenance services	<b>77,286</b>	60,489
	<b>1,176,557</b>	1,186,791

#### Revenue from contracts with customers

##### *Disaggregated revenue information*

	<b>Six months ended 30 June</b>	
	<b>2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>
Types of goods and services		
Sales of medical equipment	<b>124,326</b>	166,296
Sales of medical consumables	<b>974,945</b>	960,006
Provision of maintenance services	<b>77,286</b>	60,489
Total revenue from contracts with customers	<b>1,176,557</b>	1,186,791
Types of customers		
Sales to hospitals and healthcare institutions	<b>97,054</b>	144,497
Sales to logistics providers	<b>46,386</b>	57,144
Sales to distributors	<b>955,831</b>	924,661
Sales to service customers	<b>77,286</b>	60,489
Total revenue from contracts with customers	<b>1,176,557</b>	1,186,791
Timing of revenue recognition		
Goods transferred at a point in time	<b>1,099,271</b>	1,126,302
Services transferred over time	<b>77,286</b>	60,489
Total revenue from contracts with customers	<b>1,176,557</b>	1,186,791

## 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other income		
Bank interest income	894	707
Government subsidies*	262	13,392
Others	92	651
	<u>1,248</u>	<u>14,750</u>
Gains		
Gain on modification of lease contracts	129	14
Gain on disposal of items of property, plant and equipment	–	25
	<u>129</u>	<u>39</u>
	<u><u>1,377</u></u>	<u><u>14,789</u></u>

\* Government grants have been received from the PRC local government authorities to support subsidiaries' daily operating activities. There are no unfulfilled conditions or contingencies relating to these grants.

In 2022, 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 applicant 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 RMB13,000 was recognised in “Administrative expenses” and has been offset with the employee benefit expense.

## 6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold*	881,236	914,847
Cost of services provided*	28,898	32,055
Depreciation of owned assets	12,958	12,403
Depreciation of right-of-use assets	6,290	5,745
Amortisation of intangible assets	768	636
Research and development costs	2,855	3,025
Impairment of trade receivables	603	1,267
Employee share-based compensation benefits under the Award Scheme	11,993	13,322
Foreign exchange differences, net****	2,232	513
Loss/(gain) on disposals of property, plant and equipment	5****	(25)**
Fair value loss/(gain) on financial assets at fair value through profit or loss	6,981	(170)
Impairment of intangible assets	17,670****	–
Impairment of property, plant and equipment	1,854****	–
Write-down of inventories to net realisable value***	904	5,676
	<u><u>904</u></u>	<u><u>5,676</u></u>

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

\*\* This income is included in “Other income” on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.

\*\*\* This expense is included in “Costs of inventories sold” above.

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

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of the 16.5% on the estimated assessable profits arising in Hong Kong during the period, 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 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 period.

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current – Mainland China		
Charge for the period	26,055	33,110
Underprovision in prior periods	6,891	5,588
Current – Hong Kong		
Charge for the period	216	2,284
Deferred	632	615
	<hr/>	<hr/>
Total tax charge for the period	<b>33,794</b>	<b>41,597</b>
	<hr/> <hr/>	<hr/> <hr/>

## 8. DIVIDENDS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Dividend recognised as distribution during the reporting period:		
2021 Final – HK5.284 cents (2020: HK3.607 cents) per ordinary share	<hr/> <b>61,559</b>	<hr/> 40,405
Dividend declared after the end of the reporting period:		
Proposed 2022 Interim – HK2.729 cents (2021: HK2.66 cents) per ordinary share	<hr/> <b>32,075</b>	<hr/> 30,025
	<hr/> <b>93,634</b>	<hr/> <b>70,430</b>
	<hr/> <hr/>	<hr/> <hr/>

The proposed interim dividend subsequent to the reporting period has not been recognised as a liability at the end of the reporting period.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

The calculation of the diluted earnings per share amount for the six months ended 30 June 2022 is based on the profit for the period 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 period, 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>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<b>81,149</b>	78,887
	<b>1,337,875,234</b>	1,322,990,000
<b>Number of shares</b>		
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue less treasury shares and shares held for award scheme held by the Company during the period used in the basic earnings per share calculation	<b>1,337,875,234</b>	1,322,990,000
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	<b>4,126,954</b>	4,008,996
Assumed issue at no consideration on deemed vesting of all awarded share outstanding during the period	<b>14,089,375</b>	15,580,112
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<b>1,356,091,563</b>	1,342,579,108

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of owned property, plant and equipment of RMB8,005,000 (six months ended 30 June 2021: RMB12,716,000).

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Trade receivables	451,855	547,884
Impairment	<u>(3,378)</u>	<u>(2,765)</u>
	448,477	545,119
Bills receivables	<u>–</u>	<u>8,000</u>
	<b><u>448,477</u></b>	<b><u>553,119</u></b>

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Within 1 month	297,115	395,293
1 to 2 months	61,370	57,529
2 to 3 months	14,912	21,011
Over 3 months	<u>75,080</u>	<u>79,286</u>
	<b><u>448,477</u></b>	<b><u>553,119</u></b>

## 12. TRADE AND BILLS PAYABLES

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Within 1 month	49,010	73,999
1 to 2 months	–	66,335
2 to 3 months	200	115
Over 3 months	<u>264,929</u>	<u>352,208</u>
	<b><u>314,139</u></b>	<b><u>492,657</u></b>

### 13. SHARE CAPITAL

#### Shares

	30 June 2022		31 December 2021	
	US\$'000	RMB'000 (Unaudited)	US\$'000	RMB'000 (Audited)
Authorised:				
3,000,000,000 ordinary shares of US\$0.0005 each	<u>1,500</u>	<u>10,280</u>	<u>1,500</u>	<u>10,280</u>
Issued and fully paid:				
1,354,590,080 ordinary shares (2021: 1,352,990,000) of US\$0.0005 each	<u>678</u>	<u>4,637</u>	<u>677</u>	<u>4,632</u>

The movements in the Company's share capital during the six months ended 30 June 2022 were as follows:

	Number of ordinary shares	Nominal value of ordinary shares US\$'000	Equivalent to RMB'000
Authorised:			
At 1 January 2022 and 30 June 2022	<u>3,000,000,000</u>	<u>1,500</u>	<u>10,280</u>
Issued and fully paid:			
At 1 January 2022	1,352,990,000	677	4,632
Share option exercised ( <i>note a</i> )	<u>1,600,080</u>	<u>1</u>	<u>5</u>
At 30 June 2022	<u>1,354,590,080</u>	<u>678</u>	<u>4,637</u>

- (a) The subscription rights attaching to 1,600,080 share options were exercised at the subscription price of HK\$3.042 (equivalent to RMB2.467) per share, resulting in the issue of 1,600,080 shares for a total cash consideration, before expense, of RMB3,947,000. An amount of RMB5,081 was transferred from the share option reserve to share capital upon the exercise of the share option.

## 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 RMB1,176,557 thousand, representing a decrease of 0.9% as compared to the corresponding period of 2021. The Group's profit for the period decreased by 9.9% to RMB69,701 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, 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.

The Group also provides 4 Thrombotic Markers (*Note*) products manufactured by Sysmex to the market. These products adopt highly sensitive chemiluminescence technology, which may facilitate early diagnosis of thrombosis and fibrinolysis.

*Note:* 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 the first half of 2022, the Group provided solution services to eight Class III hospitals in the PRC. Solution services contributed revenue of RMB72,987 thousand for the Reporting Period, representing a decrease of 24.7% as compared to RMB96,957 thousand for the six months ended 30 June 2021. Such decrease was primarily due to a temporary decrease in end customers' demand for IVD products resulting from close-down of hospitals and other quarantine and social distancing measures put in place in mainland China in response to pandemic of COVID-19 for the Reporting Period.

Through years of operations, the Group has established an expansive distribution network across 29 provinces, municipalities and autonomous regions in the PRC with an extensive hospital coverage. As of 30 June 2022, the Group had 204 (as of 30 June 2021: 197) direct customers, including hospitals and healthcare institutions, and 908 (as of 30 June 2021: 966) distributors in its established distribution network.

- ***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.

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

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 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 relationship 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 layout, provides centralised procurement of IVD products, conducts real-time inventory monitoring and provides other after-sale services to clinical laboratories. Through years of operations, 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. 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 unaudited financial statements of the Group for the Reporting Period which were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

During the Reporting Period, the Group recorded revenue of RMB1,176,557 thousand, representing a decrease of RMB10,234 thousand or 0.9% as compared to the corresponding period of 2021.

During the Reporting Period, the Group recorded a net profit for the period of RMB69,701 thousand, representing a decrease of RMB7,660 thousand or 9.9% as compared to the corresponding period of 2021. Profit attributable to owners of the parent amounted to RMB81,149 thousand, representing an increase of RMB2,262 thousand or 2.9% as compared to the corresponding period of 2021.

During the Reporting Period, the Group recorded adjusted profit for the period of RMB96,773 thousand, representing an increase of RMB6,090 thousand or 6.7% as compared to the corresponding period of 2021.

	For the six months ended 30 June		Change
	2022 RMB'000	2021 RMB'000	
<b>Operating Results</b>			
Revenue	1,176,557	1,186,791	(0.9%)
Gross profit	266,423	239,889	11.1%
Earnings before interest and depreciation and amortization (EBITDA)	135,422	146,667	(7.7%)
Profit for the period	69,701	77,361	(9.9%)
Profit attributable to owners of the parent	81,149	78,887	2.9%
Adjusted profit for the period ( <i>Note 1</i> )	96,773	90,683	6.7%
Adjusted profit attributable to owners of the parent ( <i>Note 1</i> )	<u>98,654</u>	<u>92,209</u>	<u>7.0%</u>
<b>Financial Ratios</b>			
Gross profit margin (%) ( <i>Note 2</i> )	22.6%	20.2%	increased by 2.4 percentage point
Net profit margin (%) ( <i>Note 2</i> )	5.9%	6.5%	decreased by 0.6 percentage point
Adjusted profit for the period margin (%) ( <i>Note 3</i> )	8.2%	7.6%	increased by 0.6 percentage point
Return on assets (%) ( <i>Note 2</i> )	1.6%	1.9%	decreased by 0.3 percentage point
Return on equity (%) ( <i>Note 2</i> )	<u>2.7%</u>	<u>2.7%</u>	<u>–</u>

	For the six months ended 30 June		Change
	2022	2021	
Average turnover days of trade receivables (days) (Note 2)	77	66	11
Average turnover days of inventories (days) (Note 2)	142	105	37
Average turnover days of trade payables (days) (Note 2)	80	53	27

	30 June	31 December	Change
	2022	2021	
	RMB'000	RMB'000	

#### Financial Position

Total assets	4,502,688	4,367,361	3.1%
Equity attributable to owners of the parent	3,037,906	2,978,865	2.0%
Cash and cash equivalents	985,811	834,626	18.1%

#### Financial Ratios

Current ratio (times) (Note 2)	2.8	2.1	0.7
Quick ratio (times) (Note 2)	2.0	1.6	0.4
Debt to equity ratio (times) (Note 2)	0.2	0.2	0.0

*Note 1:* Adjusted profit for the period and adjusted profit attributable to owners of the parent are non-GAAP financial measures and are calculated by profit for the period and profit attributable to owners of the parent excluding expenses in relation to employee share-based compensation benefits under the Share Award Scheme, fair value loss on financial assets at fair value through profits or loss, share of loss in a joint venture, impairment of property, plant and equipment and intangible assets and tax of employee share-based compensation benefits under the Share Award Scheme.

*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 181 days.

Average turnover days of inventories equal to the average of the opening and closing balances of inventories of the reporting period divided by cost of sales and multiplied by 181 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 181 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 period margin is calculated by adjusted profit for the period (the calculation method is the same as set out in Note 1 above), a non-GAAP financial measures, divided by the revenue for the period.

## Revenue

Revenue of the Group amounted to RMB1,176,557 thousand for Reporting Period, representing a decrease of 0.9% compared to RMB1,186,791 thousand for the six months ended 30 June 2021. Such decrease was primarily due to a temporary decrease in end customers' demand for IVD products resulting from close-down of hospitals and other quarantine and social distancing measures put in place in mainland China in response to pandemic of COVID-19 for the Reporting Period.

### Revenue by business segment

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

Business segment	For the six months ended 30 June				Change
	2022		2021		
	RMB'000	%	RMB'000	%	
Distribution business	1,097,468	93.2	1,124,314	94.7	(2.4%)
Maintenance services	77,286	6.6	60,489	5.1	27.8%
Self-branded products business	1,803	0.2	1,988	0.2	(9.3%)
Total	<u>1,176,557</u>	<u>100.0</u>	<u>1,186,791</u>	<u>100.0</u>	<u>(0.9%)</u>

### 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 periods indicated:

Product type	For the six months ended 30 June				Change
	2022		2021		
	RMB'000	%	RMB'000	%	
IVD analysers					
– Distribution business	124,314	11.3	166,153	14.8	(25.2%)
– Self-branded products business	12	0.0	143	0.0	(91.6%)
Subtotal	<u>124,326</u>	<u>11.3</u>	<u>166,296</u>	<u>14.8</u>	<u>(25.2%)</u>
IVD reagents and other consumables					
– Distribution business	973,154	88.5	958,161	85.0	1.6%
– Self-branded products business	1,791	0.2	1,845	0.2	(2.9%)
Subtotal	<u>974,945</u>	<u>88.7</u>	<u>960,006</u>	<u>85.2</u>	<u>1.6%</u>
Total	<u>1,099,271</u>	<u>100.0</u>	<u>1,126,302</u>	<u>100.0</u>	<u>(2.4%)</u>

## 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 channel for the periods indicated:

Sales channel	For the six months ended 30 June				Change
	2022		2021		
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
Distribution business					
– Distributors	<b>954,037</b>	<b>86.8</b>	922,679	82.0	3.4%
– Hospitals and healthcare institutions	<b>97,045</b>	<b>8.8</b>	144,491	12.8	(32.8%)
– Logistics providers	<b>46,386</b>	<b>4.2</b>	57,144	5.0	(18.8%)
Subtotal	<b>1,097,468</b>	<b>99.8</b>	1,124,314	99.8	(2.4%)
Self-branded products business					
– Distributors	<b>1,794</b>	<b>0.2</b>	1,982	0.2	(9.5%)
– Hospitals and healthcare institutions	<b>9</b>	<b>0.0</b>	6	0.0	50.0%
Subtotal	<b>1,803</b>	<b>0.2</b>	1,988	0.2	(9.3%)
Total	<b>1,099,271</b>	<b>100.0</b>	1,126,302	100.0	(2.4%)

## Cost of sales

Cost of sales of the Group amounted to RMB910,134 thousand for the Reporting Period, representing a decrease of 3.9% compared to RMB946,902 thousand for the six months ended 30 June 2021. Such decrease was primarily due to the decrease in purchase price of IVD analysers.

### ***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 periods indicated:

<b>Business segment</b>	<b>For the six months ended 30 June</b>				<b>Change</b>
	<b>2022</b>		<b>2021</b>		
	<b><i>RMB'000</i></b>	<b>%</b>	<b><i>RMB'000</i></b>	<b>%</b>	
Distribution business	<b>880,561</b>	<b>96.7</b>	913,937	96.5	(3.7%)
Maintenance services	<b>28,898</b>	<b>3.2</b>	32,055	3.4	(9.8%)
Self-branded products business	<b>675</b>	<b>0.1</b>	910	0.1	(25.8%)
<b>Total</b>	<b><u>910,134</u></b>	<b><u>100.0</u></b>	<b><u>946,902</u></b>	<b><u>100.0</u></b>	<b><u>(3.9%)</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 periods indicated:

<b>Product type</b>	<b>For the six months ended 30 June</b>				<b>Change</b>
	<b>2022</b>		<b>2021</b>		
	<b><i>RMB'000</i></b>	<b>%</b>	<b><i>RMB'000</i></b>	<b>%</b>	
IVD analysers					
– Distribution business	<b>89,969</b>	<b>10.2</b>	143,233	15.7	(37.2%)
– Self-branded products business	<b>11</b>	<b>0.0</b>	122	0.0	(91.0%)
<b>Subtotal</b>	<b><u>89,980</u></b>	<b><u>10.2</u></b>	<b><u>143,355</u></b>	<b><u>15.7</u></b>	<b><u>(37.2%)</u></b>
IVD reagents and other consumables					
– Distribution business	<b>790,592</b>	<b>89.7</b>	770,704	84.2	2.6%
– Self-branded products business	<b>664</b>	<b>0.1</b>	788	0.1	(15.7%)
<b>Subtotal</b>	<b><u>791,256</u></b>	<b><u>89.8</u></b>	<b><u>771,492</u></b>	<b><u>84.3</u></b>	<b><u>2.6%</u></b>
<b>Total</b>	<b><u>881,236</u></b>	<b><u>100.0</u></b>	<b><u>914,847</u></b>	<b><u>100.0</u></b>	<b><u>(3.7%)</u></b>

## Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. Gross profit of the Group amounted to RMB266,423 thousand for the Reporting Period, representing an increase of 11.1% as compared to RMB239,889 thousand for the six months ended 30 June 2021. Such increase was primarily due to the decrease in purchase price of IVD analysers and increase in maintenance service revenue with relatively stable maintenance cost.

Gross profit margin is calculated as gross profit divided by revenue. Gross profit margin of the Group was 22.6% for the Reporting Period, increased from 20.2% for the six months ended 30 June 2021, which was primarily due to the decrease in purchase price of IVD analysers and increase in maintenance service revenue with relatively stable maintenance cost.

### *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 periods indicated:

Business segment	For the six months ended 30 June				Change
	2022		2021		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
Distribution business					
– IVD analysers	34,345	27.6	22,920	13.8	49.8%
– IVD reagents and other consumables	182,562	18.8	187,457	19.6	(2.6%)
Subtotal	216,907	19.8	210,377	18.7	3.1%
Maintenance services	48,388	62.6	28,434	47.0	70.2%
Self-branded products business					
– IVD analysers	1	8.3	21	14.7	(95.2%)
– IVD reagents and other consumables	1,127	62.9	1,057	57.3	6.6%
Subtotal	1,128	62.6	1,078	54.2	4.6%
Total	266,423	22.6	239,889	20.2	11.1%

### ***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 for distribution business and self-branded products business by product type for the periods indicated:

Product type	For the six months ended 30 June				Change
	2022		2021		
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %	
IVD analysers					
– Distribution business	<b>34,345</b>	<b>27.6</b>	22,920	13.8	49.8%
– Self-branded products business	<b>1</b>	<b>8.3</b>	21	14.7	(95.2%)
Subtotal	<b>34,346</b>	<b>27.6</b>	22,941	13.8	49.7%
IVD reagents and other consumables					
– Distribution business	<b>182,562</b>	<b>18.8</b>	187,457	19.6	(2.6%)
– Self-branded products business	<b>1,127</b>	<b>62.9</b>	1,057	57.3	6.6%
Subtotal	<b>183,689</b>	<b>18.8</b>	188,514	19.6	(2.6%)
Total	<b>218,035</b>	<b>19.8</b>	211,455	18.8	3.1%

## Other income and gains

Other income and gains of the Group amounted to RMB1,377 thousand for the Reporting Period, representing a decrease of 90.7% compared to RMB14,789 thousand for the six months ended 30 June 2021. Such decrease was primarily due to the decrease of government subsidies.

	For the six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income		
Bank interest income	894	707
Government subsidies	262	13,392
Others	92	651
	<hr/>	<hr/>
Subtotal	1,248	14,750
	<hr/>	<hr/>
Gains		
Gain on modification of lease contracts	129	14
Gain on disposal of items of property, plant and equipment	–	25
	<hr/>	<hr/>
	129	39
	<hr/>	<hr/>
Total	<u>1,377</u>	<u>14,789</u>

## Selling and distribution expenses

Selling and distribution expenses of the Group amounted to RMB45,999 thousand for the Reporting Period, representing a decrease of 0.6% compared to RMB46,277 thousand for the six months ended 30 June 2021. Such decrease was in line with the decrease of revenue of the Group.

## Administrative expenses

Administrative expenses of the Group amounted to RMB77,395 thousand for the Reporting Period, representing a decrease of 2.3% compared to RMB79,192 thousand for the six months ended 30 June 2021. Such decrease was primarily due to the expenses in relation to employee share-based compensation benefits under the Share Award Scheme amounting to RMB11,993 thousand for the Reporting Period as compared to RMB13,322 thousand for the six months ended 30 June 2021.

## Other expenses

Other expenses of the Group amounted to RMB21,761 thousand for the Reporting Period, representing an increase of 4,141.9% compared to RMB513 thousand for the six months ended 30 June 2021, which was mainly due to the impairment of property, plant and equipment and intangible assets.

	For the six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment of property, plant and equipment and intangible assets	19,524	–
Foreign exchange loss	2,232	513
Loss on disposal of items of property, plant and equipment	5	–
	<u>21,761</u>	<u>513</u>

## Finance costs

Finance costs of the Group amounted to RMB11,911 thousand for the Reporting Period, representing an increase of 33.5% as compared to RMB8,925 thousand for the six months ended 30 June 2021. Such increase was primarily due to the increase of bank borrowing when compared to the six months ended 30 June 2021.

## Profit for the period

Profit of the Group for the period amounted to RMB69,701 thousand for the Reporting Period, representing a decrease of 9.9% as compared to RMB77,361 thousand for the six months ended 30 June 2021. Such decrease was primarily due to (i) a temporary decrease in end customers' demand for IVD products resulting from close-down of hospitals and other quarantine and social distancing measures put in place in mainland China in response to pandemic of COVID-19 for the Reporting Period; and (ii) the impairment of property, plant and equipment and intangible assets amounting to RMB19,524 thousand. Factors above were partially offset by the increase in gross profit margin.

## Adjusted profit for the period

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 and potential investors with useful supplementary information to assess the performance of the Group's core operations. Adjusted profit of the Group for the period is calculated by profit for the period excluding expenses in relation to employee share-based compensation benefits under the Share Award Scheme, fair value loss on financial assets at fair value through profits or loss, share of loss in a joint venture, impairment of property, plant and equipment and intangible assets and tax of employee share-based compensation benefits under the Share Award Scheme. Adjusted profit of the Group for the period amounted to RMB96,773 thousand for the Reporting Period, representing an increase of 6.7% as compared to RMB90,683 thousand for the six months ended 30 June 2021. Such increase was primarily due to the increase in gross profit margin and was partially offset by a temporary decrease in end customers' demand for IVD products resulting from close-down of hospitals and other quarantine and social distancing measures put in place in mainland China in response to pandemic of COVID-19 for the Reporting Period.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit for the period	69,701	77,361
Adjusted for non-operating items:		
Impairment of property, plant and equipment and intangible assets	19,524	–
Employee share-based compensation benefits under the Share Award Scheme	11,993	13,322
Tax of employee share-based compensation benefits under the Share Award Scheme	(11,642)	–
Fair value loss on financial assets at fair value through profit or loss	6,981	–
Share of loss in a joint venture	216	–
Adjusted profit for the period	<u>96,773</u>	<u>90,683</u>

## Liquidity and financial resources

As of 30 June 2022, the Group had cash and cash equivalents of RMB985,811 thousand (primarily denominated in HKD, RMB and USD), as compared RMB834,626 thousand as of 31 December 2021. 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 30 June 2022, the Group's total equity attributable to owners of the parent was RMB3,037,906 thousand (31 December 2021: RMB2,978,865 thousand), comprising share capital of RMB4,637 thousand (31 December 2021: RMB4,632 thousand) and reserves of RMB3,033,269 thousand (31 December 2021: RMB2,974,233 thousand).

## **Net current assets**

The Group had net current assets of RMB1,719,047 thousand as of 30 June 2022, representing an increase of RMB343,143 thousand as compared to RMB1,375,904 thousand as of 31 December 2021.

## **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 arises.

## **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 USD and HKD. For the Reporting Period, the Group recorded a net exchange loss of RMB2,232 thousand, as compared to a net exchange loss of RMB513 thousand for the six months ended 30 June 2021. As of 30 June 2022, the Group has not had any significant hedging arrangement to manage foreign exchange risks but has been actively monitoring and overseeing its foreign exchange risks.

## **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 Reporting Period, the Group's total capital expenditure amounted to RMB8,005 thousand, which was primarily used in property, plant and equipment.

## **Charge/pledge on assets**

As of 30 June 2022, the Group's bank deposits of approximately RMB119,687 thousand were pledged to secure the Group's letter of credit in the aggregate amount of RMB353,443 thousand.

## **Borrowings**

The Group had bank borrowings of RMB710,937 thousand as of 30 June 2022 denominated in USD and RMB, among which RMB416,738 thousand bore interest at fixed rates. All of the Group's bank borrowings as of 30 June 2022 were repayable on or before 30 June 2024, among which RMB294,199 thousand were secured by share pledge of the Company's subsidiaries.

## **Contingent liabilities and guarantees**

As of 30 June 2022, the Group did not have any material contingent liabilities, guarantees or any litigation against it (as of 31 December 2021: nil).

## **Gearing Ratio**

As of 30 June 2022, the Group's gearing ratio (the gearing ratio is equivalent to total debt divided by total assets as of the end of the period) was approximately 15.8% (as of 31 December 2021: 9.4%).

## **Significant investments**

As of 30 June 2022 and 31 December 2021, the Group did not hold any significant investments in the equity interests of any other companies.

## **Future plans for material investments and capital assets**

As of 30 June 2022, the Group did not have any material capital commitment (as of 31 December 2021: nil) to acquire property, plant or equipment.

As of 30 June 2022, 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.

During the Reporting Period, 1,600,080 share options under the Share Option Scheme were exercised by an employee. As a result, 1,600,080 ordinary shares (“**Shares**”) (with an aggregate nominal value of USD800.04) were issued (at the exercise price of HKD3.042 per Share, with a net price to the Company of HKD3.042 per Share) and approximately HKD4,867 thousand were raised. The Company had applied such funds for general working capital. The closing price as quoted on the Stock Exchange on the date of grant (when the exercise price was fixed) was HKD3.04 per Share.

## 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 Company has adopted the Share Award Scheme on 19 May 2020.

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 Share Award Scheme at nil consideration. Each of the Grantees is an employee of the Company or its subsidiaries. Awarded Shares were issued on 20 April 2021 and vested in the Grantees on 1 April 2022.

## Employee and remuneration policy

As of 30 June 2022, the Group had 739 employees (as of 30 June 2021: 719 employees). Total staff remuneration expenses, including remuneration for Directors, for the Reporting Period amounted to RMB65,990 thousand (for the six months ended 30 June 2021: RMB64,143 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 and bonus and share option scheme.

### **Other important events**

#### *Amendments to the Articles of Association*

During the Reporting Report, the Company has amended its articles of association to, among other things, conform with the amendments to the Listing Rules and applicable laws of the Cayman Islands. Further information is set out in the circular of the Company dated 14 April 2022.

#### *Establishment of the Strategy and Investment Committee*

The Board has established a strategy and investment committee during the Reporting Period. Further information is set out in the announcement of the Company dated 26 May 2022.

### **Subsequent event**

The Group has had no 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 its securities.

### **Material acquisitions and disposals of subsidiaries and affiliated companies**

The Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2022.

### **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**”) as 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 corporate governance code**

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 the Corporate Governance Code set out in 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 roles of 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 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.

## **Review by the audit committee**

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

The Company's interim results for the six months ended 30 June 2022 have been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was of the opinion that the Company's unaudited interim 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.

## **Interim dividend**

The Board resolved to declare the payment of an interim dividend of HK2.729 cents per Share for the six months ended 30 June 2022 to the Shareholders whose names appear on the register of members of the Company on 7 September 2022 (Wednesday), resulting in an appropriation of approximately RMB32,075 thousand. The above-mentioned interim dividend is expected to be payable on 19 September 2022 (Monday).

It is intended that the dividend will be paid out of the share premium account of the Company, as the Board considers it unnecessary to maintain the share premium account at its current level. Such payment does not involve any reduction in the authorised or issued share capital of the Company, nor does it involve any reduction in the nominal value of the Shares or trading arrangements concerning the Shares.

## **Closure of register of members**

The register of members of the Company will be closed to determine the entitlements to the interim dividend from 5 September 2022 (Monday) to 7 September 2022 (Wednesday), both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 2 September 2022 (Friday).

## **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 interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be dispatched to Shareholders and available 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, 19 August 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, Ms. Yao Haiyun, Mr. Yang Zhaoxu 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.*