



IVD MEDICAL HOLDING LIMITED

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(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1931

# Interim Report 2022

# CONTENTS

<b>CORPORATE INFORMATION</b>	2
<b>FINANCIAL HIGHLIGHTS</b>	4
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	6
<b>INDEPENDENT REVIEW REPORT</b>	31
<b>INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	33
<b>INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	36
<b>INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	38
<b>INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>	40
<b>NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION</b>	42
<b>OTHER INFORMATION</b>	64



# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Ho Kuk Sing (*Chairman of the Board and Chief Executive Officer*)  
Mr. Leung King Sun  
Mr. Lin Xianya

### Non-executive Directors

Ms. Yao Haiyun  
Mr. Yang Zhaoxu  
Mr. Chan Kwok King, Kingsley

### Independent Non-executive Directors

Mr. Lau Siu Ki  
Mr. Zhong Renqian  
Mr. Leung Ka Sing

## COMPANY SECRETARY

Ms. Lam Wai Yan

## AUTHORISED REPRESENTATIVES

Mr. Leung King Sun  
Ms. Lam Wai Yan

## AUDIT COMMITTEE

Mr. Lau Siu Ki (*Chairman*)  
Mr. Zhong Renqian  
Mr. Leung Ka Sing

## REMUNERATION COMMITTEE

Mr. Lau Siu Ki (*Chairman*)  
Mr. Leung King Sun  
Mr. Leung Ka Sing

## NOMINATION COMMITTEE

Mr. Ho Kuk Sing (*Chairman*)  
Mr. Lau Siu Ki  
Mr. Leung Ka Sing

## STRATEGY AND INVESTMENT COMMITTEE

Mr. Ho Kuk Sing (*Chairman*)  
Mr. Yang Zhaoxu  
Mr. Zhong Renqian

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Room 602, Building 6  
Lane 299, Bisheng Road  
Zhangjiang Hi-Tech Park  
Pudong New Area District  
Shanghai  
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1703  
Grandtech Centre  
8 On Ping Street  
Sha Tin  
Hong Kong

## AUDITOR

Ernst & Young  
*Certified Public Accountant*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

## HONG KONG LEGAL ADVISER

HW Lawyers  
2511-2512, 25/F  
K11 Atelier King's Road  
728 King's Road  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman)  
Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## COMPANY WEBSITE

[www.ivdholding.com](http://www.ivdholding.com)

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
(Hong Kong Branch)  
Bank of Communications Co. Ltd.  
(Hong Kong Branch)  
Hang Seng Bank (China) Limited  
(Shanghai Branch)  
The Hongkong and Shanghai Banking  
Corporation Limited

## LISTING INFORMATION AND STOCK CODE

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 1931.HK)

# FINANCIAL HIGHLIGHTS

## Six months ended 30 June

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

For the six months ended 30 June 2022 (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 the 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.

# 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.

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

The Group also provides 4 Thrombotic Markers (*Note*) products manufactured by Sysmex to the market. These products adopt high 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 of Hong Kong Limited (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 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 interim condensed consolidated 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the six months ended 30 June

	2022 RMB'000	2021 RMB'000	Change
<b>Operating Results</b>			
Revenue	<b>1,176,557</b>	1,186,791	(0.9%)
Gross profit	<b>266,423</b>	239,889	11.1%
Earnings before interest and depreciation and amortisation (EBITDA)	<b>135,422</b>	146,667	(7.7%)
Profit for the period	<b>69,701</b>	77,361	(9.9%)
Profit attributable to owners of the parent	<b>81,149</b>	78,887	2.9%
Adjusted profit for the period (Note 1)	<b>96,773</b>	90,683	6.7%
Adjusted profit attributable to owners of the parent (Note 1)	<b>98,654</b>	92,209	7.0%
<b>Financial Ratios</b>			
Gross profit margin (%) (Note 2)	<b>22.6%</b>	20.2%	increased by 2.4 percentage point
Net profit margin (%) (Note 2)	<b>5.9%</b>	6.5%	decreased by 0.6 percentage point
Adjusted profit for the period margin (%) (Note 3)	<b>8.2%</b>	7.6%	increased by 0.6 percentage point
Return on assets (%) (Note 2)	<b>1.6%</b>	1.9%	decreased by 0.3 percentage point
Return on equity (%) (Note 2)	<b>2.7%</b>	2.7%	–
Average turnover days of trade receivables (days) (Note 2)	<b>77</b>	66	11
Average turnover days of inventories (days) (Note 2)	<b>142</b>	105	37
Average turnover days of trade payables (days) (Note 2)	<b>80</b>	53	27

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

	30 June 2022 RMB'000	31 December 2021 RMB'000	Change
<b>Financial Position</b>			
Total assets	<b>4,502,688</b>	4,367,361	3.1%
Equity attributable to owners of the parent	<b>3,037,906</b>	2,978,865	2.0%
Cash and cash equivalents	<b>985,811</b>	834,626	18.1%
<b>Financial Ratios</b>			
Current ratio (times) (Note 2)	<b>2.8</b>	2.1	0.7
Quick ratio (times) (Note 2)	<b>2.0</b>	1.6	0.4
Debt to equity ratio (times) (Note 2)	<b>0.2</b>	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 parent divided by average equity attributable to owner of the parent during the reporting period.

Average turnover days of trade receivables equal to the average of the opening and closing balances of 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 measure, divided by the revenue for the period.

## Revenue

Revenue of the Group amounted to RMB1,176,557 thousand for the 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	2022		2021		Change
	RMB'000	%	RMB'000	%	
Distribution business	<b>1,097,468</b>	<b>93.2</b>	1,124,314	94.7	(2.4%)
Maintenance services	<b>77,286</b>	<b>6.6</b>	60,489	5.1	27.8%
Self-branded products business	<b>1,803</b>	<b>0.2</b>	1,988	0.2	(9.3%)
<b>Total</b>	<b>1,176,557</b>	<b>100.0</b>	1,186,791	100.0	(0.9%)

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 periods indicated:

Sales channel	2022		2021		Change
	RMB'000	%	RMB'000	%	
<b>For the six months ended 30 June</b>					
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:

For the six months ended 30 June					
Business segment	2022		2021		Change
	RMB'000	%	RMB'000	%	
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>910,134</b>	<b>100.0</b>	946,902	100.0	(3.9%)

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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:

Product type	2022		2021		Change
	RMB'000	%	RMB'000	%	
<b>For the six months ended 30 June</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%)
Subtotal	<b>89,980</b>	<b>10.2</b>	143,355	15.7	(37.2%)
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%)
Subtotal	<b>791,256</b>	<b>89.8</b>	771,492	84.3	2.6%
Total	<b>881,236</b>	<b>100.0</b>	914,847	100.0	(3.7%)

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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:

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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				
	2022		2021		Change
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	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.

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

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 RMB'000	2021 RMB'000
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	–
	<b>21,761</b>	513

### 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 borrowings 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.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the six months ended 30 June

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

### 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 to 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 other companies.

### Future plans for material investments and capital assets

As of 30 June 2022, the Group did not have any capital commitments (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 Company 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 report, 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 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 and vested in the Grantees on 1 April 2022. Please refer to the paragraph headed “Other Information – Share Incentive Schemes” in this interim report.

### 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 incentives.

The Group places significant emphasis on staff training and development, and invests in continuing education and training programs offered to its management staff and other employees to upgrade their skills and knowledge.

### Use of proceeds from initial public offering

The net proceeds from the initial public offering of the Company were approximately HKD902.9 million. The net proceeds have been and are intended to be utilised in accordance with the purposes set out in the Prospectus. As of 30 June 2022, the Group has applied the net proceeds for the following purposes:

Planned use of proceeds from the initial public offering as stated in the Prospectus	Percentage as to the total amount		Actual use of proceeds up to 30 June 2022	Balance as of 30 June 2022	Expected timeline of full utilisation
	(%)	Amount (HKD million)	Amount (HKD million)	Amount (HKD million)	
Settling the outstanding balance of the cash consideration for the acquisition of 60% equity interest in Vastec	51.1	461.7	<b>461.7</b>	–	N/A
Paying part of the special dividend	34.0	306.8	<b>306.8</b>	–	N/A
Expanding customer base under distribution business	5.8	52.4	<b>39.8</b>	<b>12.6</b>	On or before 31 December 2022
Continuing research and development of self-branded products	3.0	26.8	<b>20.9</b>	<b>5.9</b>	On or before 31 December 2025
Expanding distribution business and improving distribution value chain	2.2	19.8	<b>19.8</b>	–	N/A
Using as working capital and for general corporate purpose	3.9	35.4	<b>35.4</b>	–	N/A
<b>Total</b>	100.0	902.9	<b>884.4</b>	<b>18.5</b>	

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The unutilised amount is expected to be used in accordance with the Company's plan as disclosed in the Prospectus and stated above. The Company will continue to evaluate market conditions and adopt a prudent and flexible approach for utilising the remaining net proceeds and will ensure the remaining net proceeds will be used effectively and efficiently for the long-term benefit and development of the Group. The expected timeline of full utilisation set out above is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development of market conditions.



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Independent review report

**To the board of directors of IVD Medical Holding Limited**

(Incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 33 to 63, which comprises the interim condensed consolidated statement of financial position of IVD Medical Holding Limited (the "Company") and its subsidiaries (collectively the "Group") as at 30 June 2022 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

*Ernst & Young*  
Certified Public Accountants  
Hong Kong  
19 August 2022

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	4	<b>1,176,557</b>	1,186,791
Cost of sales		<b>(910,134)</b>	(946,902)
GROSS PROFIT		<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	6	<b>(603)</b>	(1,267)
PROFIT BEFORE TAX	6	<b>103,495</b>	118,958
Income tax expense	7	<b>(33,794)</b>	(41,597)
PROFIT FOR THE PERIOD		<b>69,701</b>	77,361

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(2,795)</b>	2,670
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	<b>26,306</b>	(6,981)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<b>23,511</b>	(4,311)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>93,212</b>	73,050
Profit for the period attributable to:		
Owners of the parent	<b>81,149</b>	78,887
Non-controlling interests	<b>(11,448)</b>	(1,526)
	<b>69,701</b>	77,361

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2022

		Six months ended 30 June	
	Note	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Total comprehensive income attributable to:			
Owners of the parent		<b>104,660</b>	74,576
Non-controlling interests		<b>(11,448)</b>	(1,526)
		<b>93,212</b>	73,050
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	<b>RMB6.07 cents</b>	RMB5.96 cents
Diluted		<b>RMB5.98 cents</b>	RMB5.88 cents

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>70,711</b>	71,695
Intangible assets		<b>1,635,885</b>	1,654,323
Investments in associates		<b>6,402</b>	2,741
Investment in a joint venture		<b>31,931</b>	22,147
Prepayments and other receivables	12	<b>11,000</b>	–
Deferred tax assets		<b>4,867</b>	5,167
Financial assets at fair value through profit or loss		<b>62,161</b>	79,485
<b>Total non-current assets</b>		<b>1,822,957</b>	1,835,558
<b>CURRENT ASSETS</b>			
Inventories		<b>752,490</b>	672,683
Trade and bills receivables	11	<b>448,477</b>	553,119
Prepayments and other receivables	12	<b>373,266</b>	347,091
Pledged deposits		<b>119,687</b>	124,284
Cash and cash equivalents		<b>985,811</b>	834,626
<b>Total current assets</b>		<b>2,679,731</b>	2,531,803
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	<b>314,139</b>	492,657
Other payables and accruals	14	<b>206,221</b>	218,797
Interest-bearing bank borrowings	15	<b>429,977</b>	408,809
Tax payable		<b>10,347</b>	35,636
<b>Total current liabilities</b>		<b>960,684</b>	1,155,899
<b>NET CURRENT ASSETS</b>		<b>1,719,047</b>	1,375,904
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,542,004</b>	3,211,462

INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION (CONTINUED)

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>205,321</b>	206,552
Other payables and accruals	14	<b>14,718</b>	11,498
Interest-bearing bank borrowings	15	<b>280,960</b>	–
Total non-current liabilities		<b>500,999</b>	218,050
Net assets		<b>3,041,005</b>	2,993,412
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	16	<b>4,637</b>	4,632
Reserves		<b>3,033,269</b>	2,974,233
		<b>3,037,906</b>	2,978,865
Non-controlling interests		<b>3,099</b>	14,547
Total equity		<b>3,041,005</b>	2,993,412

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Notes	Attributable to owners of the parent												
	Shares held						Attributable to owners of the parent					Non-controlling interests	
	Share capital	Share premium	Share for award scheme	Merger reserve	Capital reserve	Statutory reserve	Share option reserve	Award share reserve	Exchange reserve	Retained profits	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2022	4,632	2,415,733*	(98)*	60,700*	(13,767)*	24,895*	38,243*	38,555*	(33,520)*	443,492*	2,978,865	14,547	2,993,412
Profit for the period	-	-	-	-	-	-	-	-	-	81,149	81,149	(11,448)	69,701
Other comprehensive income/(loss) for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(2,795)	-	(2,795)	-	(2,795)
Exchange differences on translation of the Company	-	-	-	-	-	-	-	-	26,306	-	26,306	-	26,306
Total comprehensive income for the period	-	-	-	-	-	-	-	-	23,511	81,149	104,660	(11,448)	93,212
Issuance of new shares upon exercise of share option	16	5,019	-	-	-	-	(1,077)	-	-	-	3,947	-	3,947
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	11,993	-	-	11,993	-	11,993
Vesting of shares under the Award Scheme	-	-	6	-	-	-	-	(6)	-	-	-	-	-
Final 2021 dividend	-	(61,559)	-	-	-	-	-	-	-	-	(61,559)	-	(61,559)
Transfer from retained profits	-	-	-	-	-	329	-	-	-	(329)	-	-	-
At 30 June 2022 (uneaudited)	4,637	2,359,193*	(92)*	60,700*	(13,767)*	25,224*	37,166*	50,542*	(10,009)*	524,312*	3,037,916	3,099	3,041,015

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2022

	Attributable to owners of the parent														
	Notes	Share capital		Shares held for award scheme		Merger reserve	Capital reserve	Statutory reserve	Share option reserve	Award share reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000										
At 1 January 2021		4,534	2,415,733	-	60,700	(13,767)	24,375	38,243	-	(18,566)	339,901	2,851,153	8,122	2,859,275	
Profit for the period		-	-	-	-	-	-	-	-	-	78,887	78,887	(1,526)	77,361	
Other comprehensive income/(loss) for the period:															
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	2,670	-	2,670	-	2,670	
Exchange differences on translation of the Company		-	-	-	-	-	-	-	-	(6,981)	-	(6,981)	-	(6,981)	
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(4,311)	78,887	74,576	(1,526)	73,050	
Issuance of new shares	16	98	-	(98)	-	-	-	-	-	-	-	-	-	-	
Employee share-based compensation benefits under the Award Scheme		-	-	-	-	-	-	-	13,322	-	-	13,322	-	13,322	
Final 2020 dividend	8	-	-	-	-	-	-	-	-	-	(40,405)	(40,405)	-	(40,405)	
Transfer from retained profits		-	-	-	-	-	329	-	-	-	(329)	-	-	-	
At 30 June 2021 (unaudited)		4,632	2,415,733	(98)	60,700	(13,767)	24,704	38,243	13,322	(22,877)	378,054	2,898,646	6,596	2,905,242	

\* These reserve accounts comprise the condensed consolidated reserves of RMB3,033,269,000 (31 December 2021: RMB2,974,233,000) in the condensed consolidated statement of financial position as at 30 June 2022.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
Net cash flow (used in)/from operating activities	<b>(100,554)</b>	20,642
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of items of property, plant and equipment	<b>(8,005)</b>	(12,716)
Formation of an associate	<b>(3,100)</b>	–
Proceeds from disposal of items of property, plant and equipment	<b>396</b>	7,870
Proceeds from disposal of unlisted funds designated at fair value through profit or loss	<b>12,177</b>	–
Investment in joint venture	<b>(10,000)</b>	–
Loan to an associate	<b>(11,000)</b>	–
Advance to associates	<b>(52)</b>	(126)
Interest received	<b>894</b>	707
Purchase of financial assets at fair value through profit or loss	–	(20,000)
Decrease in pledged deposits	<b>4,597</b>	7,652
Net cash flows used in investing activities	<b>(14,093)</b>	(16,613)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares upon exercise of share option	<b>3,947</b>	–
New bank borrowings	<b>870,833</b>	599,253
Repayment of bank borrowings	<b>(581,026)</b>	(454,653)
Principal portion of lease payments	<b>(4,894)</b>	(4,602)
Repayment to shareholders	<b>(1,137)</b>	(1,572)
Dividend paid	<b>(43,852)</b>	(40,405)
Interest paid	<b>(11,911)</b>	(8,925)
Net cash flows from financing activities	<b>231,960</b>	89,096

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2022

	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>117,313</b>	93,125
Cash and cash equivalents at the beginning of period	<b>834,626</b>	788,613
Effect of foreign exchange rate changes, net	<b>33,872</b>	(8,173)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<b>985,811</b>	873,565
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>985,811</b>	873,565

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

## 1. CORPORATE 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

Amendments to IAS 16

Amendments to IAS 37

*Annual Improvements to IFRSs  
2018-2020*

*Reference to the Conceptual Framework*

*Property, Plant and Equipment: Proceeds before  
Intended Use*

*Onerous Contracts – Cost of Fulfilling a Contract*

Amendments to IFRS 1, IFRS 9, Illustrative Examples  
accompanying IFRS 16, and IAS 41

## 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

## 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

- (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
	<b>1,176,557</b>	1,186,791

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
	<b>1,744,929</b>	1,750,906

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

30 June 2022

### 3. OPERATING SEGMENT INFORMATION (continued)

#### 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:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
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

#### 4. REVENUE (continued)

##### Revenue from contracts with customers

##### Disaggregated revenue information

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



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 5. OTHER INCOME AND GAINS

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

\* 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 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 disposal of items 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

\* 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 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	<b>26,055</b>	33,110
Underprovision in prior periods	<b>6,891</b>	5,588
Current – Hong Kong		
Charge for the period	<b>216</b>	2,284
Deferred	<b>632</b>	615
<b>Total tax charge for the period</b>	<b>33,794</b>	41,597

## 8. DIVIDENDS

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

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

30 June 2022

## 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:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<u>Earnings</u>		
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

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

	Number of shares	
	Six months ended 30 June	
	2022	2021
<u>Shares</u>		
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).

NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (CONTINUED)

30 June 2022

11. TRADE AND BILLS RECEIVABLES

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

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:

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

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Prepayments	<b>345,362</b>	338,333
Deposits and other receivables	<b>25,116</b>	7,159
Amounts due from associates	<b>11,079</b>	27
Amounts due from shareholders	<b>2,709</b>	1,572
	<b>384,266</b>	347,091
Less: other receivables included in non-current assets	<b>(11,000)</b>	-
	<b>373,266</b>	347,091

Included in amounts due from associates constitute of loans to an associate of RMB11 million, which is unsecured, interest-free and repayable within two years. Except for the above-mentioned loans, the amounts due from associates and shareholders are unsecured, non-interest-bearing and repayable on demand.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 13. 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:

	30 June 2022 RMB'000 (Unaudited)	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	264,929	352,208
	<b>314,139</b>	492,657

## 14. OTHER PAYABLES AND ACCRUALS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contract liabilities	66,304	44,253
Other payables	18,418	50,540
Accruals	18,097	44,256
Dividends payables	91,482	72,021
Lease liabilities	26,337	18,844
Others	301	381
	<b>220,939</b>	230,295
Less: other payables included in non-current liabilities	<b>(14,718)</b>	(11,498)
	<b>206,221</b>	218,797

The amounts due to shareholders are unsecured, non-interest-bearing and repayable on demand.

NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (CONTINUED)

30 June 2022

15. INTEREST-BEARING BANK BORROWINGS

	Notes	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current:</b>							
Bank loans – unsecured	(a)	4.2 – 4.7	2022-2023	416,738	4.0 – 6.0	2022	153,726
Bank loan – secured	(b)	SOFR + 2.05	2023	13,239	LIBOR+2.1	2022	255,083
				429,977			408,809
<b>Non-current:</b>							
Bank loan – secured	(b)	SOFR + 2.05	2023-2024	280,960			-
				710,937			408,809

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	429,977	408,809
In the second year	280,960	-
	710,937	408,809

Notes:

- The bank loans bear interest at fixed rates ranging from 4.2% to 4.7% (31 December 2021: 4.0% to 6.0%) and denominated in Renminbi.
- The bank loans bear interest at floating rates of Secured Overnight Financing Rate ("SOFR")+2.05% (31 December 2021: LIBOR+2.1%) and denominated in US dollars.
- The Group's bank borrowings of RMB294,199,000 (2021: RMB255,083,000) are secured by pledges over the equity interests of certain subsidiaries of the Group.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 16. 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	1,500	10,280	1,500	10,280
Issued and fully paid: 1,354,590,080 ordinary shares (2021: 1,352,990,000) of US\$0.0005 each	678	4,637	677	4,632

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	3,000,000,000	1,500	10,280
Issued and fully paid: At 1 January 2022	1,352,990,000	677	4,632
Share options exercised (note a)	1,600,080	1	5
At 30 June 2022	1,354,590,080	678	4,637

Note:

- (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.

## 17. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the period:

		Six months ended 30 June	
Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	
Purchases of products:			
Alifax	(i) <b>167</b>	1,852	
Shinva Group	(ii) <b>270</b>	136	
Rental expenses:			
Mr. Ho	–	75	
Mr. Leung	–	75	
Mr. Lin	–	562	
Shinva Group	(iii) <b>1,816</b>	1,771	
Addition of right-of-use assets:			
Mr. Ho	(iv) <b>3,906</b>	–	
Mr. Leung	(iv) <b>3,771</b>	–	
Mr. Lin	(iv) <b>6,743</b>	–	
Shinva Group	(v) <b>622</b>	–	

Notes:

- (i) The purchases from Alifax, was made according to the prices and conditions mutually agreed by the Group and the associate.
- (ii) The purchases from Shinva Group were made according to the prices and conditions mutually agreed by the Group and Shinva Group.
- (iii) The rental expenses paid were based on the market rates.
- (iv) On 1 January 2022, the Group entered into several lease agreements with Mr. Ho, Mr. Leung and Mr. Lin, the shareholders of the Group, in relation to the leasing of offices with a term of three years. Right-of-use assets of RMB14,420,000 were recognised on the same date in respect of the lease agreements. No addition of right-of-use asset in relation to leasing from the related parties was recognised in 2021.
- (v) On 18 April 2022, the Group entered into a lease agreement with Shinva Group, the shareholder of the Group, in relation to the leasing of an office with a term of three years. Right-of-use asset of RMB622,000 was recognised on the same date in respect of the lease agreement. No addition of right-of-use asset in relation to leasing from the related party was recognised in 2021.

30 June 2022

## 17. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short term employee benefits	6,025	5,907
Employee share-based compensation benefits under the Award Scheme	1,694	–
Post-employment benefits	261	256
Total compensation paid to key management personnel	7,980	6,163

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, and the current portion of interest bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption were used to estimate the fair values:

The fair values of financial assets at fair value through profit or loss are determined based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair value of the non-current portion of interest-bearing bank borrowings and non-current portion of financial liabilities included in other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings and financial liabilities included in other payables as at 30 June 2022 and 31 December 2021 was assessed to be insignificant. Management has assessed that the fair values of the non-current portion of interest-bearing bank borrowings and financial liabilities included in other payables approximate to their carrying amounts.

### Fair value hierarchy

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2022 and 31 December 2021:

	Valuation technique	Significant unobservable inputs
Unlisted funds	Net assets value per share	Net assets of the underlying funds

NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (CONTINUED)

30 June 2022

**18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**

**Fair value hierarchy (continued)**

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

30 June 2022

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss:				
Unlisted funds	–	56,481	5,680	62,161

31 December 2021

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Financial assets at fair value through profit or loss:				
Unlisted funds	–	72,646	6,839	79,485

During the period, there was no transfer of fair value measurement between Level 1 and 2 and no transfer into or out of Level 3 (year ended 31 December 2021: Nil).

## **19. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

The unaudited interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 19 August 2022.



## OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to 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”), are as follows:

Name of Directors	Capacity/Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of Interest in the Company
Mr. Ho Kuk Sing <sup>(2)(5)</sup>	Interest in a controlled corporation	175,517,429(L)	12.96%
	Beneficial owner	16,192,322(L)	1.20%
Mr. Leung King Sun <sup>(3)(5)</sup>	Interest in a controlled corporation	175,517,429(L)	12.96%
	Beneficial owner	11,047,766(L)	0.82%
Mr. Lin Xianya <sup>(4)(5)</sup>	Interest in a controlled corporation	112,664,041(L)	8.32%
	Beneficial owner	10,584,463(L)	0.78%

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Notes:

- (1) The letter “L” denotes long position in the Company’s shares (the “**Shares**”).
- (2) Mr. Ho Kuk Sing is the sole shareholder and a director of KS&KL Investment Co. Limited, which holds 175,517,429 Shares. Therefore, Mr. Ho Kuk Sing is deemed to be interested in KS&KL Investment Co. Limited’s interest in the Shares pursuant to the SFO. The disclosed interest represents (i) 175,517,429 Shares held by KS&KL Investment Co. Limited; and (ii) 8,191,922 and 8,000,400 options held by Mr. Ho Kuk Sing under the ESOP and the Share Option Scheme, respectively.
- (3) Mr. Leung King Sun is the sole shareholder and a director of King Sun Limited, which holds 175,517,429 Shares. Therefore, Mr. Leung is deemed to be interested in King Sun Limited’s interest in the Shares pursuant to the SFO. The disclosed interest represents (i) 175,517,429 Shares held by King Sun Limited; (ii) 1,487,000 Shares in the Company held by Mr. Leung; and (iii) 1,560,366 and 8,000,400 options held by Mr. Leung King Sun under the ESOP and the Share Option Scheme, respectively.
- (4) Mr. Lin Xianya is the sole shareholder and a director of Lucan Investment Limited, which holds 112,664,041 Shares. Therefore, Mr. Lin Xianya is deemed to be interested in Lucan Investment Limited’s interest in the Shares pursuant to the SFO. The disclosed interest represents (i) 112,664,041 Shares held by Lucan Investment Limited; and (ii) 3,250,763 and 7,333,700 options held by Mr. Lin Xianya under the ESOP and the Share Option Scheme, respectively.
- (5) By virtue of the common control confirmation executed by Mr. Ho Kuk Sing, Mr. Leung King Sun and Mr. Lin Xianya on 27 May 2016, Mr. Ho Kuk Sing, Mr. Leung King Sun and Mr. Lin Xianya and their respective wholly-owned investment holding companies, namely KS&KL Investment Co. Limited, King Sun Limited and Lucan Investment Limited, collectively hold 465,185,899 Shares.

Save as disclosed above, as of 30 June 2022, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware of, as of 30 June 2022, the following persons (other than Directors or chief executives of the Company), had interests or short positions in the Shares and the underlying Shares, which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of Interest in the Company
<b>Substantial shareholders</b>			
KS&KL Investment Co. Limited	Beneficial owner	175,517,429(L)	12.96%
King Sun Limited	Beneficial owner	175,517,429(L)	12.96%
Lucan Investment Limited	Beneficial owner	112,664,041(L)	8.32%
Huatuo International Development Co., Limited <sup>(4)</sup>	Beneficial owner	443,654,371(L)	32.75%
Shinva Medical Instrument Co., Ltd <sup>(4)</sup>	Interest in a controlled corporation	443,654,371(L)	32.75%
<b>Other persons</b>			
North Haven Private Equity Asia IVD Company Limited <sup>(2)</sup>	Beneficial owner	92,646,730(L)	6.84%
North Haven Private Equity Asia IVD Holding Limited <sup>(2)</sup>	Interest in a controlled corporation	92,646,730(L)	6.84%
North Haven Private Equity Asia IV Holdings Limited <sup>(2)</sup>	Interest in a controlled corporation	92,646,730(L)	6.84%
North Haven Private Equity Asia IV, L.P. <sup>(2)</sup>	Interest in a controlled corporation	92,646,730(L)	6.84%
Morgan Stanley Private Equity Asia IV, L.L.C. <sup>(2)</sup>	Interest in a controlled corporation	92,646,730(L)	6.84%
Morgan Stanley Private Equity Asia IV, Inc. <sup>(2)</sup>	Interest in a controlled corporation	92,646,730(L)	6.84%
MS Holdings Incorporated <sup>(2)</sup>	Interest in a controlled corporation	92,646,730(L)	6.84%
Morgan Stanley <sup>(2)(3)</sup>	Interest in a controlled corporation	92,752,756(L) 250(S)	6.85% 0.00%

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

- (1) The letter "L" denotes long position in the Shares and the letter "S" denotes short positions in the Shares.

Based on information publicly available to the Company:

- (2) North Haven Private Equity Asia IVD Company Limited is 100% controlled by North Haven Private Equity Asia IVD Holding Limited, which is in turn 100% controlled by North Haven Private Equity Asia IV Holdings Limited. North Haven Private Equity Asia IV Holdings Limited is 100% controlled by North Haven Private Equity Asia IV, L.P., which is in turn 100% controlled by Morgan Stanley Private Equity Asia IV, L.L.C.. Morgan Stanley Private Equity Asia IV, L.L.C. is 100% controlled by Morgan Stanley Private Equity Asia IV, Inc., which is in turn 100% controlled by MS Holdings Incorporated. MS Holdings Incorporated is 100% controlled by Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in North Haven Private Equity Asia IVD Company Limited's interest in the Shares pursuant to the SFO.
- (3) Morgan Stanley & Co. International plc is 100% controlled by Morgan Stanley Investments (UK), which is in turn 100% controlled by Morgan Stanley International Limited. Morgan Stanley International Limited is 100% controlled by Morgan Stanley International Holdings Inc., which is in turn 100% controlled by Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in Morgan Stanley & Co. International plc's interest in the 54,026(L) and 250(S) Shares pursuant to the SFO.

Morgan Stanley & Co. LLC is interested in 52,000(L) Shares. It is 100% controlled by Morgan Stanley Domestic Holdings, Inc, which is in turn 100% controlled by Morgan Stanley Capital Management, LLC. Morgan Stanley Capital Management, LLC is 100% controlled by Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in Morgan Stanley & Co. LLC's interest in 52,000(L) Shares pursuant to the SFO.

The above Morgan Stanley's interests in Shares include interests in 26(L) and 250(S) Shares in cash settled unlisted derivatives.

- (4) Huatuo International Development Co., Limited is a company incorporated under the laws of Hong Kong on 28 March 2011 and wholly owned by Shinva Medical Instrument Co., Ltd. Therefore, Shinva Medical Instrument Co., Ltd is deemed to be interested in Huatuo International Development Co., Limited's interest in the Shares pursuant to the SFO.

Save as disclosed above, so far as the Directors are aware of, the Company had not been notified by any persons (other than Directors or chief executive of the Company) of its interests or short positions in the shares and underlying shares of the Company as of 30 June 2022 that was required to be recorded in the register required to be kept under section 336 of the SFO.

## 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 listed securities.

## SHARE INCENTIVE SCHEMES

### A. Pre-IPO Share Option Scheme (ESOP)

The following is a summary of the principal terms of the ESOP of the Company as approved by the Board on 29 December 2017 and further amended by the Board on 27 March 2019, more details as set out in the Prospectus.

#### *(a) Purpose*

The purpose of the ESOP is to attract and retain the best available personnel, to provide additional incentives to the employees, officers and Directors of the Company and to promote the success of the businesses of the Group.

Upon adoption of the ESOP, the Company granted to DVI Investment Limited (the "**Master Option Grantee**") an option (the "**Master Option**") to purchase up to such number of Shares equal to 5% of the total number of the then outstanding Shares of the Company on a non-diluted basis (the "**Total Option Shares**"). The Master Option Grantee is a limited liability company organised under the laws of the Cayman Islands and an SPV designated by the Company to be the Master Option Grantee.

## SHARE INCENTIVE SCHEMES (continued)

### A. Pre-IPO Share Option Scheme (ESOP) (continued)

#### *(b) Who may join*

Beneficial interest in the Master Option (the “**Management Option**”, each represents one underlying Share under the ESOP) may be granted to full-time employees, including such officers and Directors of the Company who are full-time employees (the “**Participants**”) upon vesting of any option of the Master Option (the “**Management Option Grantee**”). An employee, officer or Director of the Company who has been granted a Management Option may, if otherwise eligible, be granted additional Management Options.

#### *(c) Maximum number of underlying Shares*

The overall limit on the number of underlying Shares which may be issued is 32,507,627 Shares with a par value of USD0.0005 each.

#### *(d) Administration*

The ESOP is administered by the Board or the committee authorised by the Board (the “**Committee**”) constituted in such a manner as to satisfy applicable laws and company charter documents (the “**Administrator**”). Subject to applicable laws and provisions of the ESOP and except as otherwise provided by the Board, the Administrator has the authority, in its discretion, to:

- (i) select the employees, officers and Directors to whom the Management Options may be granted from time to time under the ESOP;
- (ii) determine whether and to what extent the Management Options are granted under the ESOP;
- (iii) determine the number of Shares or the amount of other consideration to be covered by each Management Option granted under the ESOP;

## SHARE INCENTIVE SCHEMES (continued)

### A. Pre-IPO Share Option Scheme (ESOP) (continued)

#### *(d) Administration (continued)*

- (iv) approve forms of Management Option Agreement (as defined below) for use under the ESOP;
- (v) determine the terms and conditions of any Master Option or Management Option granted under the ESOP (including the Notice of Management Option Grant (as defined below) or any option agreement evidencing the grant of a Master Option or a Management Option executed by the Company and the Management Option Grantee);
- (vi) amend the terms of any outstanding Master Option or Management Option granted under the ESOP, provided that any amendment that would materially and adversely affect the Master Option Grantee's or the Management Option Grantee's rights under an outstanding Master Option or Management Option shall not be made without the Master Option Grantee's and/or the Management Option Grantee's written consent;
- (vii) construe and interpret the terms of the ESOP and the Master Options and Management Options, including, without limitation, any notice of award or option agreement granted pursuant to the ESOP;
- (viii) grant Management Options to employees, officers and Directors on such terms and conditions different from those specified in the ESOP as may, in the judgment of the Administrator, be necessary or desirable to further the purpose of the ESOP; and
- (ix) take such other action not inconsistent with the terms of the ESOP as the Administrator deems appropriate.

## SHARE INCENTIVE SCHEMES (continued)

### A. Pre-IPO Share Option Scheme (ESOP) (continued)

#### *(e) Option grants*

The Committee is authorised to grant options to purchase a specified number of Shares at a specified price during specified time periods. The Committee will issue a notice of Management Option grant (the “**Notice of Management Option Grant**”) with a Management Option agreement (the “**Management Option Agreement**”) attached thereto to the relevant Management Option Grantee, notifying him/her the number of Management Options that have been granted to him/her and the exercise price per Share. The Management Option Agreement includes additional provisions of the Management Option.

#### *(f) Term of the ESOP*

The ESOP commenced on 29 December 2017 (the “**Effective Date**”) and shall continue in effect for a term of seven years unless terminated earlier in accordance with applicable laws and provisions of the ESOP or otherwise approved by the Board.

#### *(g) Exercise of option*

The option may not be exercised until vested. Except as approved by the Board and subject to provisions hereunder, in respect of the audited consolidated financial statements of the Company for each full calendar year from 2017 to 2021 (both years inclusive):



## SHARE INCENTIVE SCHEMES (continued)

### A. Pre-IPO Share Option Scheme (ESOP) (continued)

#### (g) Exercise of option (continued)

- (i) if the consolidated net income attributable to equity shareholders of the Company, after tax and minority interest (and excluding any extraordinary or one-time income or gain) of the Company on a consolidated basis meets the respective target as set out below (the “**Net Income Target**”) in such calendar year, 20% of the Management Options (whenever granted) will vest and become exercisable:

Year	2017	2018	2019	2020	2021
<b>Net Income Target</b> (RMB million)	110	130	281	325	375

- (ii) in the event that the Net Income Target is not met in a calendar year, no Management Option may vest or become exercisable.

#### (h) Exercise price

The exercise price per Share under the ESOP will be a price determined by the Committee and set forth in the Management Option Agreement and will be not lower than RMB1.69.

The Administrator is authorised under the ESOP to award any type of arrangement to an employee, officer or Director that is not inconsistent with the provisions of the ESOP and that by its terms involves or might involve the issuance of Shares or Master Option or similar right with a fixed or variable price related to the Fair Market Value (as defined below) of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions.

## SHARE INCENTIVE SCHEMES (continued)

### A. Pre-IPO Share Option Scheme (ESOP) (continued)

#### *(h) Exercise price (continued)*

“**Fair Market Value**” means, as of any date, the value of Shares determined as follows:

- (i) if the Shares are traded on a securities exchange, the value shall be deemed to be the average of the security's closing prices on such exchange over the thirty-day period ending one day prior to such date, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;
- (ii) if the Shares are traded over the counter, the value shall be deemed to be the average of the closing prices over the thirty-day period ending three days prior to such date as reported in The Wall Street Journal or such other source as the Administrator deems reliable; and
- (iii) in the absence of an established market for the Shares of the type described in (i) and (ii) above, the Fair Market Value thereof shall be determined by the Administrator in good faith.

The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be adjusted to make an appropriate discount from the market value determined as above in sub-clauses (i), (ii) or (iii) to reflect the fair market value thereof as determined in good faith by the Administrator or by a liquidator if one is appointed.

#### *(i) Outstanding options granted*

On 29 December 2017, the Board granted the Master Option to the Master Option Grantee to purchase the Total Option Shares, being 32,507,627 Shares, under the ESOP.

## SHARE INCENTIVE SCHEMES (continued)

## A. Pre-IPO Share Option Scheme (ESOP) (continued)

*(i) Outstanding options granted (continued)*

On 12 July 2019, all Management Options under the ESOP were granted by the Master Option Grantee to the executive Directors prior to the Company's listing with details set out below:

Name <sup>(1)</sup>	Position	Options granted under the ESOP	Approximate percentage of the total number of Shares in issue as of the date of this report
Ho Kuk Sing (何鞠誠)	Chairman, executive Director and Chief Executive Officer	20,479,805	1.51%
Leung King Sun (梁景新)	Executive Director and Chief Operating Officer	3,900,915	0.29%
Lin Xianya (林賢雅)	Executive Director and General Manager	8,126,907	0.60%
Total		32,507,627	2.40%

Note:

- (1) Each grantee, upon accepting the options under the ESOP, is deemed to have undertaken to the Company that he will hold and exercise his options in accordance with the rules of the ESOP and the Management Option Agreement, including with respect to the allotment and issue of Shares to him upon exercise of his options and the holding of such Shares.

## SHARE INCENTIVE SCHEMES (continued)

### A. Pre-IPO Share Option Scheme (ESOP) (continued)

#### (i) Outstanding options granted (continued)

The exercise price of all Management Options granted is RMB1.69 per Share. A consideration of RMB0.1 was payable by each Management Option Grantee upon acceptance of the Management Option.

No further option will be granted under the ESOP, as the right to do so has been terminated upon Company's listing.

As of the date of this interim report, a total of 19,504,576 Management Options had lapsed in accordance with the terms of the ESOP (including 6,501,525 Management Options lapsed during the Reporting Period). As a result, each of Mr. Ho Kuk Sing, Mr. Leung King Sun and Mr. Lin Xianya was entitled to exercise 8,191,922, 1,560,366 and 3,250,763 Management Options, respectively, subject to the terms of the ESOP as of 30 June 2022 and as of the date of this interim report (as of 1 January 2022: an aggregate of 19,504,576 Management Options were outstanding). No option has been exercised under the ESOP up to the date of this interim report.

### B. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme, more details of which are set out in the Prospectus:

The Share Option Scheme is a share incentive scheme and is established to (a) attract and retain the best quality personnel for the development of the Group's businesses, (b) to provide additional incentives to the Qualifying Grantees (as defined below), and (c) to promote the long term financial success of the Group by aligning the interests of option holders to the Shareholders.

### SHARE INCENTIVE SCHEMES (continued)

#### B. Share Option Scheme (continued)

Subject to the provisions of the Listing Rules and applicable law and other regulations from time to time in force, the Board may, in its discretion, select Qualifying Grantees to whom options may be granted under the Share Option Scheme (the “Options”).

“Qualifying Grantee” means any Eligible Person, any trust for the benefit of an Eligible Person or his immediate family members, or any company controlled by an Eligible Person or his immediate family members.

“Eligible Person” means (a) any employee (whether full-time or part-time employee) of any member of the Group or any affiliate and any person who is an officer of any member of the Group or any affiliate, (b) any person who is seconded to work for any member of the Group or any affiliates, (c) any consultant, agent, representative, adviser, customer, contractor of the Group or any affiliate, or (d) any business partner/ally/alliance, joint venture partner, supplier of goods or services to the Group or any affiliate or any employee thereof.

The number of Options that can be granted to any Qualifying Grantee during any 12-month period shall be subject to the restriction that the total number of Shares issued and to be issued upon exercise of Options (whether exercised or outstanding) granted in such 12-month period must not exceed 1% of the Shares in issue. Where any further grant of Options to a Qualifying Grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by the Shareholders in general meeting with the relevant Qualifying Grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting.

The total number of Shares available for issue under the Share Option Scheme is 106,672,000, representing approximately 7.87% of the total number of Shares as of the date of this interim report.

## SHARE INCENTIVE SCHEMES (continued)

### B. Share Option Scheme (continued)

Unless such further grant is approved by the Shareholders in general meeting, no Option may be granted to any substantial Shareholder or an independent non-executive Director, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other scheme(s) of the Company in the 12-month period up to and including the date of board meeting for proposing such further grant (a) representing in aggregate over 0.1% of the issued share capital of the Company in issue, and (b) having an aggregate value, based on the closing price of the Shares at the date of the board meeting for proposing such further grant, in excess of HK\$5 million.

An offer shall remain open for acceptance by the Qualifying Grantee concerned for a period of 28 days from the date of the offer (or such period as the Board may specify in writing). A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an Option.

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the higher of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the Option is deemed to have been granted in accordance with the terms of the Share Option Scheme (the "**Date of Grant**"), which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (b) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Date of Grant; and
- (c) the nominal value of a Share.

## SHARE INCENTIVE SCHEMES (continued)

### B. Share Option Scheme (continued)

Subject to the provisions of the Listing Rules, applicable law and other regulations from time to time in force and the terms of the Share Option Scheme, the Board may, in its discretion, determine the period during which the Options may be exercised, and the minimum period, if any, for which an Option must be held before it vests or becomes exercisable in whole or in part.

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from 12 July 2019.

As of 30 June 2022, particulars of the Options granted under the Share Option Scheme are as follows:

Category of Participant	Date of Grant	Exercise Price <sup>(1)</sup> (HKD) <sup>(2)</sup>	Options Granted	Exercisable Period	Outstanding as of 1 January 2022	Outstanding as of 30 June 2022	Exercised during the Reporting Period	Expired/lapsed/cancelled during the Reporting Period
<b>Employees</b>								
Seven employees	22 Nov 2019	3.042	3,333,500	22 Nov 2019 to 21 Nov 2024 <sup>(3)</sup>	3,333,500	1,733,420	1,600,080	-
<b>Directors</b>								
Mr. Ho Kuk Sing	22 Nov 2019 <sup>(1)</sup>	3.042	8,000,400	3 Jun 2020 to 2 Jun 2025 <sup>(4)</sup>	8,000,400	8,000,400	-	-
Mr. Leung King Sun	22 Nov 2019 <sup>(1)</sup>	3.042	8,000,400	3 Jun 2020 to 2 Jun 2025 <sup>(4)</sup>	8,000,400	8,000,400	-	-
Mr. Lin Xianya	22 Nov 2019 <sup>(1)</sup>	3.042	7,333,700	3 Jun 2020 to 2 Jun 2025 <sup>(4)</sup>	7,333,700	7,333,700	-	-
Total			26,668,000		26,668,000	25,067,920	1,600,080	-

## SHARE INCENTIVE SCHEMES (continued)

### B. Share Option Scheme (continued)

Notes:

- (1) The Options were conditionally granted on 22 November 2019, subject to the Shareholders' approval at a general meeting of the Company. Ordinary resolutions approving the grant of such Options were duly passed by the Shareholders at the Company's annual general meeting held on 3 June 2020.
- (2) The exercise price of HKD3.042 per Share represents the higher of: (i) the closing price of HKD3.04 per Share as stated in the daily quotation sheet of the Stock Exchange on the date of grant; (ii) the average closing price of HKD3.042 per Share as stated in the daily quotation sheets of by the Stock Exchange for the five business days immediately preceding the date of grant, namely, 15 November 2019 to 21 November 2019; and (iii) the nominal value of USD0.0005 per Share. The closing price per Share as stated in the daily quotation sheet of the Stock Exchange on the date immediately before the date of grant was HKD3.04.
- (3) The Options were vested immediately upon grant.
- (4) The Options were vested immediately upon obtaining approval of the Shareholders at the Company's annual general meeting held on 3 June 2020.
- (5) No options were granted during the Reporting Period.

### C. Share Award Scheme

The following is a summary of the principal terms of the Share Award Scheme of the Company as approved by the Board on 19 May 2020, more details as set out in the announcement dated 19 May 2020.

#### *(a) Purposes and Objectives*

The purpose of the Share Award Scheme is to recognise the contributions by certain employees 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.

#### *(b) Duration*

Subject to any early termination determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on 19 May 2020.



## SHARE INCENTIVE SCHEMES (continued)

### C. Share Award Scheme (continued)

#### *(c) Administration*

The Share Award Scheme shall be subject to the administration of the Board and Bank of Communications Trustee Limited (“**the Trustee**”) in accordance with the rules relating to the Share Award Scheme adopted by the Board and a trust deed dated 19 May 2020 entered into between the Company as settler and the Trustee as trustee (“**the Trust Deed**”).

#### *(d) Maximum Limit*

The Board shall not make any further award of the Awarded Shares by the Board to certain selected employee which will result in the aggregate number of Shares awarded by the Board under the Share Award Scheme to be in excess of 10% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to certain selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

On 29 March 2021, the Board resolved to grant the Awarded Shares to 405 selected employees in accordance with the terms of the Share Award Scheme at nil consideration to show recognition for the Grantees’ continual support to the Group and provide incentive to the Grantees to make further effort to the Group’s future development. Net price and proceeds are nil with respect to the issue. Each of the Grantees is an employee of the Company or its subsidiaries. 30,000,000 Awarded Shares (with an aggregate nominal value of USD15,000) were issued on 20 April 2021, and the Company caused to pay the Trustee a total subscription price of USD15,000 (representing the aggregate nominal value of the Awarded Shares, i.e. USD0.0005 per Awarded Share). The closing price per Share as quoted on the Stock Exchange was HKD1.96 on 15 December 2020 (the date on which the Share Award Scheme was adopted), and HKD2.12 on 29 March 2021 (the date on which the Board approved the grant of the Awarded Shares). The Awarded Shares were vested on 1 April 2022.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

The Group did not have any material acquisition or disposal of subsidiaries, associates, joint venture and affiliated companies during the Reporting Period.

## **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.

## **DIRECTOR'S SECURITIES TRANSACTIONS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules regarding Directors' securities transactions.

Specific enquiry has been made of all the Directors and each Director has confirmed that he or she has 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 the Corporate Governance Code contained 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.

## OTHER INFORMATION (CONTINUED)

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 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.

### REVIEW BY THE AUDIT COMMITTEE

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

This interim report for the Reporting Period has been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was of the opinion that the Group's unaudited interim condensed consolidated financial statements as contained in this interim report were prepared in accordance with applicable accounting standards. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

The unaudited condensed consolidated interim results of the Group for the Reporting Period have been reviewed by the Company's auditor, Ernst & Young.

## SUBSEQUENT EVENT

The Group has had no material event since the end of the Reporting Period and up to the date of this interim report.

## INTERIM DIVIDEND

On 20 August 2022, 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 would be closed 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).

## CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed above and in the Company's annual report for the year ended 31 December 2021, there is no change of information in respect of Directors that is required to be disclosed under Rule 13.51B(1) of the Listing Rules since 1 January 2022 and up to the date of this interim report.

## DISCLOSURE OF INFORMATION

This interim report of the Group for the six months ended 30 June 2022 containing all the relevant information required by the Listing Rules has been published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ivdholding.com>).

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

Hong Kong, 19 August 2022