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## IVD Medical Holding Limited

華檢醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1931)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of IVD Medical Holding Limited (the “**Company**”) is pleased to announce the financial results of the the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 as below.

#### FINANCIAL HIGHLIGHTS

	2022	2021	Change
	RMB'000	RMB'000	
Revenue	2,748,809	2,730,670	0.7%
Gross profit	608,141	566,268	7.4%
Profit for the year	195,530	161,750	20.9%
Profit attributable to owners of the parent	209,999	174,541	20.3%
Adjusted profit for the year (Note)	224,052	200,048	12.0%
Adjusted profit attributable to owners of the parent (Note)	228,504	205,706	11.1%
<b>Earnings per share</b>			
Basic (RMB cents)	15.61	13.19	2.42
Diluted (RMB cents)	15.50	12.94	2.56

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

For the year ended 31 December 2022 (the “**Reporting Period**”), the Group achieved a revenue of RMB2,748,809 thousand, which represented an increase of 0.7% as compared to the year ended 31 December 2021.

Profit of the Group for the Reporting Period recorded an increase of 20.9% as compared to the year ended 31 December 2021. Such increase was primarily attributable to (i) increase in gross profit margin; and (ii) decrease in expenses in relation to employee share-based compensation benefits under a share award scheme adopted by the Company on 19 May 2020 (the “**Share Award Scheme**”) from RMB38,555 thousand for the year ended 31 December 2021 to RMB11,993 thousand for the Reporting Period.

The Board recommended the payment of a final dividend out of the share premium account of the Company for the year ended 31 December 2022 in the amount of HK5.556 cents per ordinary share (“**Share**”) to shareholders of the Company, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (“**AGM**”) by way of an ordinary resolution.

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

Year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Revenue</b>	4	<b>2,748,809</b>	2,730,670
Cost of sales		<u>(2,140,668)</u>	<u>(2,164,402)</u>
<b>Gross profit</b>		<b>608,141</b>	566,268
Other income and gains	5	<b>26,016</b>	26,265
Selling and distribution expenses		<b>(117,239)</b>	(122,568)
Administrative expenses		<b>(152,917)</b>	(183,850)
Other expenses		<b>(38,278)</b>	(19,206)
Finance costs	6	<b>(30,580)</b>	(20,422)
Fair value (loss)/gain on financial assets at fair value through profit or loss		<b>(11,455)</b>	13,918
Share of profits of associates		<b>495</b>	683
Share of profit of a joint venture		<b>2,300</b>	7,652
Impairment of trade receivables		<u>(2,694)</u>	<u>(800)</u>
<b>Profit before tax</b>	7	<b>283,789</b>	267,940
Income tax expense	8	<u>(88,259)</u>	<u>(106,190)</u>
<b>Profit for the year</b>		<u><b>195,530</b></u>	<u>161,750</u>
<b>Profit for the year attributable to:</b>			
Owners of the parent		<b>209,999</b>	174,541
Non-controlling interests		<u>(14,469)</u>	<u>(12,791)</u>
<b>Profit for the year</b>		<u><b>195,530</b></u>	<u>161,750</u>

	<i>Note</i>	2022 <b>RMB'000</b>	2021 <b>RMB'000</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
<b>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</b>			
Exchange differences on translation of foreign operations		<u>(5,198)</u>	<u>156</u>
<b>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</b>			
Exchange differences on translation of the Company's financial statements		<u>47,283</u>	<u>(15,110)</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<u>42,085</u>	<u>(14,954)</u>
<b>Total comprehensive income for the year</b>		<u><b>237,615</b></u>	<u><b>146,796</b></u>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		252,084	159,587
Non-controlling interests		<u>(14,469)</u>	<u>(12,791)</u>
		<u><b>237,615</b></u>	<u><b>146,796</b></u>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
	<i>10</i>		
Basic (RMB cents)		15.61	13.19
Diluted (RMB cents)		<u>15.50</u>	<u>12.94</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 December 2022*

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>83,103</b>	71,695
Intangible assets		<b>1,635,885</b>	1,654,323
Investments in associates		<b>17,460</b>	2,741
Investment in a joint venture		<b>38,447</b>	22,147
Financial assets at fair value through profit or loss		<b>59,378</b>	79,485
Deferred tax assets		<b>5,366</b>	5,167
		<hr/>	<hr/>
Total non-current assets		<b>1,839,639</b>	1,835,558
<b>CURRENT ASSETS</b>			
Inventories		<b>628,622</b>	672,683
Trade and bills receivables	<i>11</i>	<b>566,796</b>	553,119
Prepayments and other receivables		<b>240,693</b>	347,091
Pledged deposits		<b>17,901</b>	124,284
Cash and cash equivalents		<b>1,020,626</b>	834,626
		<hr/>	<hr/>
Total current assets		<b>2,474,638</b>	2,531,803
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>12</i>	<b>324,054</b>	492,657
Other payables and accruals	<i>13</i>	<b>253,722</b>	218,797
Interest-bearing bank borrowings		<b>329,497</b>	408,809
Tax payable		<b>37,891</b>	35,636
		<hr/>	<hr/>
Total current liabilities		<b>945,164</b>	1,155,899
<b>NET CURRENT ASSETS</b>			
		<b>1,529,474</b>	1,375,904
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>3,369,113</b>	3,211,462

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals	<i>13</i>	<b>12,566</b>	11,498
Deferred tax liabilities		<b>203,083</b>	206,552
<b>Total non-current liabilities</b>		<b>215,649</b>	218,050
Net assets		<b>3,153,464</b>	2,993,412
<b>EQUITY</b>			
<b>Equity attributable to owner of the parent</b>			
Share capital	<i>14</i>	<b>4,637</b>	4,632
Reserves		<b>3,148,749</b>	2,974,233
		<b>3,153,386</b>	2,978,865
<b>Non-controlling interests</b>		<b>78</b>	14,547
<b>Total equity</b>		<b>3,153,464</b>	2,993,412

## NOTES TO FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

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

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

### 2.1 BASIS OF PREPARATION

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

#### **Basis of consolidation**

The financial information include the financial information of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and the impact of the revised IFRSs that are applicable to the Group 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* (the “**Conceptual Framework**”) 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 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies* if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 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 business combinations during the year, 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 as determined by IAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the sale and manufacture of medical equipment and consumables and the provision of after-sales 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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	2,747,574	2,721,009
Others	1,235	9,661
	<u>2,748,809</u>	<u>2,730,670</u>

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	1,769,320	1,748,149
Others	5,575	2,757
	<u>1,774,895</u>	<u>1,750,906</u>

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

#### Information about major customers

During the years ended 31 December 2022 and 2021, no revenue from transactions with a single external customer accounted for 10% or more of the total revenue of the Group.

### 4. REVENUE

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Sales of trading goods	2,575,382	2,584,320
Sales of manufactured goods	6,258	3,914
Provision of after-sales services	167,169	142,436
	<u>2,748,809</u>	<u>2,730,670</u>

## 5. OTHER INCOME AND GAINS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Other income</b>		
Bank interest income	1,972	1,758
Rental income	629	398
Government subsidies	23,186	19,042
Others	147	1,324
	<u>25,934</u>	<u>22,522</u>
<b>Gains</b>		
Gain on modification of lease contract	82	14
Gain on disposal of property, plant and equipment	–	87
Foreign exchange differences, net	–	3,642
	<u>82</u>	<u>3,743</u>
	<u><u>26,016</u></u>	<u><u>26,265</u></u>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank loans	29,404	19,326
Interest on lease liabilities	1,176	1,033
Interest on factored trade receivables	–	63
	<u>30,580</u>	<u>20,422</u>

## 7. PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold*	2,070,006	2,088,885
Cost of services provided*	70,662	75,517
Depreciation of owned assets	21,007	25,080
Depreciation of right-of-use assets	12,745	11,684
Amortisation of intangible assets	1,537	2,042
Research and development costs	7,219	7,274
Lease payments not included in the measurement of lease liabilities	12,179	13,480
Auditors' remuneration	3,400	3,080
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries*****	136,929	133,733
Employee share-based compensation benefits under the Share Award Scheme	11,993	38,555
Pension scheme contributions*****	28,595	26,025
	<u>177,517</u>	<u>198,313</u>
Foreign exchange differences, net	10,335**	(3,642)***
Impairment of trade receivables	2,694	800
Impairment of property, plant and equipment**	3,542	3,092
Impairment of intangible assets**	16,901	11,465
Write-off of prepayments**	7,495	2,579
Write-down of inventories to net realisable value****	955	9,622
Loss on disposal of an associate**	-	2,070
Loss/(gain) on disposal of items of property, plant and equipment	5**	(87)***
Fair value loss/(gain) on financial assets at fair value through profit or loss	<u>11,455</u>	<u>(13,918)</u>

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

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

\*\*\* These income are included in "Other income and gains" on the face of the consolidated statement of profit or loss and other comprehensive income.

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

\*\*\*\*\* In 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 Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. The amount of RMB293,000 was recognised in "Administrative expenses" and has been offset with the employee benefit expense (2021: Nil).

\*\*\*\*\* At 31 December 2022 and 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Tax on profits assessable in Mainland China has been calculated at the applicable PRC corporate income tax (“CIT”) rate of 25% during the year.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current – Hong Kong		
Charge for the year	2,308	4,117
Current – China		
Charge for the year	80,645	85,946
Underprovision in prior years	8,974	7,666
Deferred	(3,668)	8,461
	<hr/>	<hr/>
Total tax charge for the year	<b>88,259</b>	106,190
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## 9. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interim – HK2.729 cents (2021: HK2.66 cents) per ordinary share	32,035	30,025
Proposed Final – HK5.556 cents (2021: HK5.284 cents) per ordinary share	66,206	59,917
	<hr/>	<hr/>
	<b>98,241</b>	89,942
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The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to owners of the parent used in the basic earnings per share calculation	<u>209,999</u>	<u>174,541</u>
	<b>Number of shares</b>	
	2022	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme held by the Company during the year used in the basic earnings per share calculation	1,344,983,241	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 year	2,999,126	4,103,782
Assumed issue at no consideration on deemed vesting of all awarded shares under the Share Award Scheme outstanding during the year	<u>6,986,786</u>	<u>22,178,130</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u>1,354,969,153</u>	<u>1,349,271,912</u>

## 11. TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	572,218	547,884
Impairment	<u>(5,422)</u>	<u>(2,765)</u>
	566,796	545,119
Bills receivables	<u>–</u>	<u>8,000</u>
	<u>566,796</u>	<u>553,119</u>

The majority of the Group's sales of products were mainly made on the payment-in-advance basis or granted with credit periods ranging from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. There is a certain concentration of credit risk. The total trade and bills receivables from the five largest debtors at 31 December 2022 represented 42.5% (2021: 41.4%) of the total trade receivables, while 13.4% (2021: 13.8%) of the total trade receivables was due from the largest debtor.

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

Included in the Group's trade receivables as of 31 December 2022 are amount due from the Group's associate of RMB3,000 (2021: Nil) which are payable on credit term similar to those offered to the major customers of the Group.

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	<b>409,310</b>	395,293
1 to 2 months	<b>69,444</b>	57,529
2 to 3 months	<b>22,434</b>	21,011
Over 3 months	<b>65,608</b>	79,286
	<b>566,796</b>	553,119

## 12. TRADE AND BILLS PAYABLES

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	<b>131,146</b>	73,999
1 to 2 months	<b>71,531</b>	66,335
2 to 3 months	<b>57,479</b>	115
Over 3 months	<b>63,898</b>	352,208
	<b>324,054</b>	492,657

Included in the trade and bills payables as of 31 December 2022 are trade payables of RMB110,000 (2021: RMB228,000) due to an associate which are repayable within 60 days, which represents credit terms similar to those offered by the associate to its major customers.

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

## 13. OTHER PAYABLES AND ACCRUALS

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Contract liabilities	<b>56,937</b>	44,253
Other payables	<b>25,962</b>	50,540
Accruals	<b>45,025</b>	44,256
Dividend payables	<b>117,674</b>	72,021
Lease liabilities	<b>20,424</b>	18,844
Others	<b>266</b>	381
	<b>266,288</b>	230,295
Less: other payables included in non-current liabilities	<b>(12,566)</b>	(11,498)
	<b>253,722</b>	218,797

## 14. SHARE CAPITAL

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Authorised:		
3,000,000,000 ordinary shares of US\$0.0005 each (2021: 3,000,000,000 ordinary shares of US\$0.0005 each)	<b>10,280</b>	10,280
Issued and fully paid:		
1,354,590,080 ordinary shares of US\$0.0005 each (2021: 1,352,990,000 ordinary shares of US\$0.0005 each)	<b>4,637</b>	4,632

The movements in the Company's issued share capital during the year ended 31 December 2022 and 2021 were as follows:

	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares <i>US\$'000</i></b>	<b>Equivalent to <i>RMB'000</i></b>
At 1 January 2021	1,322,990,000	662	4,534
Issue of new shares pursuant to the Share Award Scheme	<u>30,000,000</u>	<u>15</u>	<u>98</u>
At 31 December 2021 and 1 January 2022	1,352,990,000	677	4,632
Share options exercised ( <i>note a</i> )	<u>1,600,080</u>	<u>1</u>	<u>5</u>
At 31 December 2022	<b><u>1,354,590,080</u></b>	<b><u>678</u></b>	<b><u>4,637</u></b>

### Notes:

- (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 as of the date of exercise) 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 RMB1,077,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

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

During the Reporting Period, the Group recorded a revenue of RMB2,748,809 thousand, representing an increase of 0.7% as compared to the corresponding period of 2021. The Group’s profit for the year increased by 20.9% to RMB195,530 thousand for the Reporting Period.

### Business Segments

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

- ***Distribution Business***

The distribution of IVD products forms the cornerstone of the Group’s business. It primarily involves the trading of IVD analysers, reagents and other consumables to customers such as distributors, hospitals and healthcare institutions and logistics providers. The Group’s distribution of IVD products was primarily conducted through Vastec Medical Equipment (Shanghai) Co., Ltd. (“**Vastec**”), a wholly-owned subsidiary of the Company. Vastec is primarily engaged in the distribution of Sysmex’ haemostasis products in the PRC, it has been the sole national distributor of Sysmex’ haemostasis products with exclusive distribution rights in the PRC since 1997 and also procures a diversified portfolio of IVD products from other leading international brands for distribution in the PRC. As of 31 December 2022, approximately 7,273 of Sysmex’ haemostasis analysers have been installed by the Group and in use at hospitals and healthcare institutions accumulatively.

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

The Group also provides 4 Thrombotic Markers (*Note 1*) products manufactured by Sysmex to the market. These products adopt high sensitive chemiluminescence technology, which may facilitate early diagnosis of thrombosis and fibrinolysis. As of 31 December 2022, 98 Sysmex’ haemostasis immunoassay analysers which performed the 4 Thrombotic Markers have been installed by the Group at the hospitals and healthcare institutions in the PRC.

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

In addition, the Group provides solution services to the clinical laboratories of hospitals. This has enabled the Group to establish and maintain direct relationships with local medical practitioners so as to keep the Group close to the frontline of the medical practice and the market demand of IVD products. In 2022, the Group provided solution services to eight Class III hospitals in the PRC. Solution services contributed revenue of RMB205,406 thousand for the year ended 31 December 2022, representing a decrease of 0.7% as compared to RMB206,949 thousand for the year ended 31 December 2021.

Through years of operations, the Group has established an expansive distribution network across 31 provinces, municipalities and autonomous regions in the PRC with an extensive hospital coverage. As of 31 December 2022, the Group had 295 direct customers, including hospitals and healthcare institutions, and 1,139 distributors in its established distribution network. As of 31 December 2022, the Group also covered 1,599 Class III hospitals mainly through its sub-distribution networks in the PRC, which further enhanced the competitiveness of the Group.

- ***After-sales Services***

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

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

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

The Group made investments in Bazoe Medical Co., Ltd. and Langmai Biotechnology (Shandong) Co., Ltd. for the self-branded products of mass spectrometry and microbiology in prior years. The sales of new products from Langmai Biotechnology (Shandong) Co., Ltd. was significantly less than expected. The management of the Company made full impairment amounting to RMB20,443 thousand for property, plant and equipment and intangible assets of Langmai Biotechnology (Shandong) Co., Ltd. based on the valuation performed by Roma Appraisals Limited using discount cash flow method. The impairment did not have material influence on operation and financial result of the Group, and the Group will be more cautious on future investments.

## INDUSTRY OVERVIEW

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

According to Frost & Sullivan, by 2027, the PRC IVD market at ex-factory price level is projected to reach RMB278.7 billion with a compound annual growth rate (“CAGR”) of 15.7% during 2021 to 2027. In the future, the IVD market is expected to grow with the aggravating trend of an ageing population, the growth of medical expenses per capita and the progress of technological development.

The PRC IVD market can be divided into six major segments based on the testing principles: haematology and body fluid, clinical chemistry, immunoassay, molecular, microbiology and POCT. According to Frost & Sullivan, haematology and body fluid test includes haemostasis analysis and urinalysis had a market share of approximately 15.9% in mainland China in 2021 at ex-factory price level.

Haemostasis analysis IVD market in the PRC at ex-factory price level reached RMB5.0 billion in 2021, and the market is highly concentrated. Top three market players dominate the market with a cumulative market share of 77.7%.

Sales revenue of haemostasis analysis IVD products generated by tier 1 distributors in the PRC reached RMB6.0 billion in 2021. Vastec is the market leader by sales revenue in PRC tier 1 distributed haemostasis analysis IVD market, with a total market share of 43.2% in 2021 and penetration rate of 74.0% among China Top 100 Hospitals selected by Hospital Management Institute, Fudan University on 10 November 2019. By 2027, PRC tier 1 distributed haemostasis analysis IVD market is projected by Frost & Sullivan to reach RMB15.7 billion in terms of sales revenue with a CAGR of 17.5% during 2021 to 2027, an increase from former projection of CAGR of 13.3% due to the decreasing adverse impact of the coronavirus disease (“COVID-19”) pandemic.

## **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 layouts, provides centralised procurement of IVD products, conducts real-time inventory monitoring and provides other after-sale services to clinical laboratories. Through years of operation, the Group has accumulated a wealth of operational experience and a diversified product portfolio, thus being able to promote the same to other hospitals and healthcare institutions. The Group plans to hire more sales personnel to manage the promotion and marketing of solution services of the Group and to stock sufficient IVD products of various brands to strengthen the Group’s advantages in centralized procurement. In addition, the Group intends to continuously participate in national and local IVD symposiums and academic conferences to enhance brand awareness.

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

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

## **FINANCIAL REVIEW**

### **Overview**

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

During the Reporting Period, the Group recorded revenue of RMB2,748,809 thousand, representing an increase of RMB18,139 thousand or 0.7% as compared to the corresponding period of 2021.

During the Reporting Period, the Group recorded a net profit for the year of RMB195,530 thousand, representing an increase of RMB33,780 thousand or 20.9% as compared to the corresponding period of 2021. Profit attributable to owners of the parent amounted to RMB209,999 thousand, representing an increase of RMB35,458 thousand or 20.3% as compared to the corresponding period of 2021.

During the Reporting Period, the Group recorded adjusted profit for the year of RMB224,052 thousand, representing an increase of RMB24,004 thousand or 12.0% as compared to the corresponding period of 2021.

	For the year ended 31 December		
	2022	2021	Change
	RMB'000	RMB'000	%
<b>Operating Results</b>			
Revenue	2,748,809	2,730,670	0.7%
Gross profit	608,141	566,268	7.4%
Earnings before interest and depreciation and amortization (EBITDA)	349,658	327,168	6.9%
Profit attributable to owners of the parent	209,999	174,541	20.3%
Adjusted profit for the year (Note 1)	224,052	200,048	12.0%
Adjusted profit attributable to owners of the parent (Note 1)	228,504	205,706	11.1%

### Financial Ratios

Gross profit margin (%) (Note 2)	22.1%	20.7%	increased by 1.4 percentage point
Net profit margin (%) (Note 2)	7.1%	5.9%	increased by 1.2 percentage point
Adjusted profit for the year margin (%) (Note 3)	8.2%	7.3%	increased by 0.9 percentage point
Return on assets (%) (Note 2)	4.5%	3.9%	increased by 0.6 percentage point
Return on equity (%) (Note 2)	6.8%	6.0%	increased by 0.8 percentage point

Average turnover days of trade receivables (days) (Note 2)	74	66	8
Average turnover days of inventory (days) (Note 2)	111	100	11
Average turnover days of trade payables (days) (Note 2)	70	62	8

	31 December		
	2022	2021	Change
	RMB'000	RMB'000	%
<b>Financial Position</b>			
Total assets	4,314,277	4,367,361	(1.2%)
Equity attributable to owners of the parent	3,153,386	2,978,865	5.9%
Cash and cash equivalents	1,020,626	834,626	22.3%

### Financial Ratios

Current ratio (times) (Note 2)	2.6	2.2	0.4
Quick ratio (times) (Note 2)	2.0	1.6	0.4
Debt to equity ratio (times) (Note 2)	0.1	0.1	—

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

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

Net profit margin equals net profit divided by revenue.

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

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

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

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

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

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

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

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

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

## Revenue

Revenue of the Group amounted to RMB2,748,809 thousand for the year ended 31 December 2022, representing an increase of 0.7% as compared to RMB2,730,670 thousand for the year ended 31 December 2021.

### Revenue by business segment

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

Business segment	For the year ended 31 December				Change
	2022		2021		
	RMB'000	%	RMB'000	%	
Distribution business	2,575,382	93.7	2,584,320	94.7	(0.3%)
After-sales services	167,169	6.1	142,436	5.2	17.4%
Self-branded products business	6,258	0.2	3,914	0.1	59.9%
Total	<u>2,748,809</u>	<u>100</u>	<u>2,730,670</u>	<u>100.0</u>	<u>0.7%</u>

### Revenue by product type

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

Product type	For the year ended 31 December				Change
	2022		2021		
	RMB'000	%	RMB'000	%	
IVD analysers					
– Distribution business	360,620	13.9	388,011	15.0	(7.1%)
– Self-branded products business	1,632	0.1	447	0.0	265.1%
Subtotal	<u>362,252</u>	<u>14.0</u>	<u>388,458</u>	<u>15.0</u>	<u>(6.7%)</u>
IVD reagents and other consumables					
– Distribution business	2,214,762	85.8	2,196,309	84.9	0.8%
– Self-branded products business	4,626	0.2	3,467	0.1	33.4%
Subtotal	<u>2,219,388</u>	<u>86.0</u>	<u>2,199,776</u>	<u>85.0</u>	<u>0.9%</u>
Total	<u>2,581,640</u>	<u>100.0</u>	<u>2,588,234</u>	<u>100.0</u>	<u>(0.3%)</u>

## ***Revenue by channel***

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

<b>Sales channel</b>	<b>For the year ended 31 December</b>				<b>Change</b>
	<b>2022</b>		<b>2021</b>		
	<b><i>RMB'000</i></b>	<b><i>%</i></b>	<b><i>RMB'000</i></b>	<b><i>%</i></b>	
Distribution business					
– Distributors	<b>2,171,726</b>	<b>84.1</b>	2,154,139	83.2	0.8%
– Hospitals and healthcare institutions	<b>282,693</b>	<b>11.0</b>	310,498	12.0	(9.0%)
– Logistics providers	<b>120,963</b>	<b>4.7</b>	119,683	4.6	1.1%
Subtotal	<b>2,575,382</b>	<b>99.8</b>	2,584,320	99.8	(0.3%)
Self-branded products business					
– Distributors	<b>6,039</b>	<b>0.2</b>	3,885	0.2	55.4%
– Hospitals and healthcare institutions	<b>219</b>	<b>0.0</b>	29	0.0	655.2%
Subtotal	<b>6,258</b>	<b>0.2</b>	3,914	0.2	59.9%
Total	<b>2,581,640</b>	<b>100.0</b>	2,588,234	100.0	(0.3%)

## Cost of sales

Cost of sales of the Group amounted to RMB2,140,668 thousand for the year ended 31 December 2022, representing a decrease of 1.1% as compared to RMB2,164,402 thousand for the year ended 31 December 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 years indicated:

Business segment	For the year ended 31 December				Change
	2022		2021		
	RMB'000	%	RMB'000	%	
Distribution business	2,067,379	96.6	2,086,986	96.4	(0.9%)
After-sales services	70,662	3.3	75,517	3.5	(6.4%)
Self-branded products business	2,627	0.1	1,899	0.1	38.3%
Total	<u>2,140,668</u>	<u>100.0</u>	<u>2,164,402</u>	<u>100.0</u>	<u>(1.1%)</u>

### *Cost of sales by product type*

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

Product type	For the year ended 31 December				Change
	2022		2021		
	RMB'000	%	RMB'000	%	
IVD analysers					
– Distribution business	294,155	14.2	337,865	16.2	(12.9%)
– Self-branded products business	1,151	0.0	399	0.0	188.5%
Subtotal	<u>295,306</u>	<u>14.2</u>	<u>338,264</u>	<u>16.2</u>	<u>(12.7%)</u>
IVD reagents and other consumables					
– Distribution business	1,773,224	85.7	1,749,121	83.7	1.4%
– Self-branded products business	1,476	0.1	1,500	0.1	(1.6%)
Subtotal	<u>1,774,700</u>	<u>85.8</u>	<u>1,750,621</u>	<u>83.8</u>	<u>1.4%</u>
Total	<u>2,070,006</u>	<u>100.0</u>	<u>2,088,885</u>	<u>100.0</u>	<u>(0.9%)</u>

## Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. Gross profit of the Group amounted to RMB608,141 thousand for the year ended 31 December 2022, representing an increase of 7.4% as compared to RMB566,268 thousand for the year ended 31 December 2021. Such increase was primarily attributable to the decrease in purchase price of IVD analysers and increase in after-sales service revenue with relatively stable after-sales cost.

Gross profit margin is calculated as gross profit divided by revenue. Gross profit margin of the Group was 22.1% for the year ended 31 December 2022, which increased from 20.7% for the year ended 31 December 2021. The increase of gross profit margin was primarily attributable to the decrease in purchase price of IVD analysers and increase in after-sales service revenue with relatively stable after-sales 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 years indicated:

Business segment	For the year ended 31 December				Change
	2022		2021		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
Distribution business					
– IVD reagents and other consumables	<b>441,538</b>	<b>19.9</b>	447,188	20.4	(1.3%)
– IVD analysers	<b>66,465</b>	<b>18.4</b>	50,146	12.9	32.5%
Subtotal	<b>508,003</b>	<b>19.7</b>	497,334	19.2	2.1%
After-sales services	<b>96,507</b>	<b>57.7</b>	66,919	47.0	44.2%
Self-branded products business					
– IVD reagents and other consumables	<b>3,150</b>	<b>68.1</b>	1,967	56.7	60.1%
– IVD analysers	<b>481</b>	<b>29.5</b>	48	10.7	902.1%
Subtotal	<b>3,631</b>	<b>58.0</b>	2,015	51.5	80.2%
Total	<b>608,141</b>	<b>22.1</b>	566,268	20.7	7.4%

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

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

<b>Product type</b>	<b>For the year ended 31 December</b>				<b>Change</b>
	<b>2022</b>		<b>2021</b>		
	<b>Gross profit RMB'000</b>	<b>Gross profit margin %</b>	<b>Gross profit RMB'000</b>	<b>Gross profit margin %</b>	
IVD analysers					
– Distribution business	<b>66,465</b>	<b>18.4</b>	50,146	12.9	32.5%
– Self-branded products business	<b>481</b>	<b>29.5</b>	48	10.7	902.1%
Subtotal	<b>66,946</b>	<b>18.5</b>	50,194	12.9	33.4%
IVD reagents and other consumables					
– Distribution business	<b>441,538</b>	<b>19.9</b>	447,188	20.4	(1.3%)
– Self-branded products business	<b>3,150</b>	<b>68.1</b>	1,967	56.7	60.1%
Subtotal	<b>444,688</b>	<b>20.0</b>	449,155	20.4	(1.0%)
Total	<b>511,634</b>	<b>19.8</b>	499,349	19.3	2.5%

## Other income and gains

Other income and gains of the Group amounted to RMB26,016 thousand for the year ended 31 December 2022.

	For the year ended	
	31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Other income		
Bank interest income	1,972	1,758
Rental income	629	398
Government subsidies	23,186	19,042
Others	147	1,324
	<u>25,934</u>	<u>22,522</u>
Gains		
Gain on modification of lease contracts	82	14
Gain on disposal of property, plant and equipment	–	87
Foreign exchange differences, net	–	3,642
	<u>82</u>	<u>3,743</u>
	<u><b>26,016</b></u>	<u><b>26,265</b></u>

## Selling and distribution expenses

Selling and distribution expenses of the Group amounted to RMB117,239 thousand for the year ended 31 December 2022, representing a decrease of 4.3% as compared to RMB122,568 thousand for the year ended 31 December 2021. Such decrease was due to the close-down of hospitals and other quarantine and social distancing measures put place in mainland China in response to COVID-19 for the Reporting Period.

## Administrative expenses

Administrative expenses of the Group amounted to RMB152,917 thousand for the year ended 31 December 2022, representing a decrease of 16.8% as compared to RMB183,850 thousand for the year ended 31 December 2021. Such decrease was primarily due to decrease in the employee share-based compensation benefits under the Share Award Scheme from RMB38,555 thousand for the year ended 31 December 2021 to RMB11,993 thousand for the Reporting Period.

## Other expenses

Other expenses of the Group amounted to RMB38,278 thousand for the year ended 31 December 2022, representing an increase of 99.3% as compared to RMB19,206 thousand for the year ended 31 December 2021. Such significant increase was primarily due to the foreign exchange loss for the Reporting Period.

	For the year ended	
	31 December	
	2022	2021
	RMB'000	RMB'000
Foreign exchange differences, net	10,335	–
Impairment of intangible assets	16,901	11,465
Impairment of property, plant and equipment	3,542	3,092
Loss on disposal of an associate	–	2,070
Write-off of prepayments	7,495	2,579
Loss on disposal of items of property, plant and equipment	5	–
	<u>38,278</u>	<u>19,206</u>

## Finance costs

Finance costs of the Group amounted to RMB30,580 thousand for the year ended 31 December 2022, representing an increase of 49.7% as compared to RMB20,422 thousand for the year ended 31 December 2021. Such increase was primarily due to the increase of bank borrowing interest rates during the Reporting Period.

## Profit for the year

Profit of the Group for the year amounted to RMB195,530 thousand for the year ended 31 December 2022, representing an increase of 20.9% as compared to RMB161,750 thousand for the year ended 31 December 2021. Such increase was primarily attributable to (i) increase in gross profit margin; and (ii) decrease in expenses in relation to employee share-based compensation benefits under the Share Award Scheme amounting from RMB38,555 thousand for the year ended 31 December 2021 to RMB11,993 thousand for the Reporting Period.

## Adjusted profit for the year

Adjusted profit of the Group is a non-GAAP financial measure used to exclude the impact of non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, so as to provide the shareholders of the Company (the “**Shareholders**”) and potential investors with useful supplementary information to assess the performance of the Group’s core operations. Adjusted profit of the Group for the year is calculated by profit for the year deducting fair value loss/(gain) on financial assets at fair value through profit or loss, share of profit of a joint venture, employee share-based compensation benefits under the Share Award Scheme, deferred tax on fair value adjustments of equity investments at fair value through profit or loss, impairment of property, plant and equipment and intangible assets and tax effects related to employee share-based compensation benefits under the Share Award Scheme. Adjusted profit of the Group for the year amounted to RMB224,052 thousand for the year ended 31 December 2022, representing an increase of 12.0% as compared

to RMB200,048 thousand for the year ended 31 December 2021. Such increase was primarily attributable to (i) the increase in end customers' demand for IVD products as the operation of hospitals gradually recovered from the COVID-19 pandemic for the Reporting Period; and (ii) the increase in gross profit margin.

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Profit for the year	<b>195,530</b>	161,750
Adjusted for non-operating items:		
Fair value loss/(gain) on financial assets at fair value through profit or loss	<b>11,455</b>	(13,918)
Share of profit of a joint venture	<b>(2,300)</b>	(7,652)
Employee share-based compensation benefits under the Share Award Scheme	<b>11,993</b>	38,555
Tax effects related to employee share-based compensation benefits under the Share Award Scheme	<b>(13,644)</b>	–
Deferred tax on fair value adjustments of equity investments at fair value through profit or loss	<b>575</b>	6,756
Impairment of property, plant and equipment	<b>3,542</b>	3,092
Impairment of intangible assets	<b>16,901</b>	11,465
Adjusted profit for the year	<b><u>224,052</u></b>	<b><u>200,048</u></b>

\* The aforementioned joint venture focuses on equity investment in IVD industry, see Company's announcement dated 3 August 2020.

\*\* Non-GAAP financial measure does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies.

## Liquidity and financial resources

As of 31 December 2022, the Group had cash and cash equivalents of RMB1,020,626 thousand (primarily denominated in HK\$, RMB and US\$), 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 31 December 2022, the Group's total equity attributable to owners of the parent was RMB3,153,386 thousand (31 December 2021: RMB2,978,865 thousand), comprising share capital of RMB4,637 thousand (31 December 2021: RMB4,632 thousand) and reserves of RMB3,148,749 thousand (31 December 2021: RMB2,974,233 thousand).

## Net current assets

The Group had net current assets of RMB1,529,474 thousand as of 31 December 2022, representing an increase of RMB153,570 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 arise.

## **Foreign currency risk**

The Group faces transactional currency exposures arising from bank deposits held by operating units in currencies other than the units' functional currency. The currencies giving rise to such risk are primarily US\$ and HK\$. For the year ended 31 December 2022, the Group recorded a net foreign exchange loss of RMB10,335 thousand, as compared to a net exchange gain of RMB3,642 thousand for the year ended 31 December 2021. As of 31 December 2022, the Group did not have any significant hedging arrangements to manage foreign exchange risks but has been actively monitoring and overseeing its foreign exchange risks.

## **Material asset valuation**

Management of the Company has engaged Roma Appraisals Limited to perform the impairment assessments on the Distribution CGU (cash generating units (CGU) of distribution of IVD reagents and medical equipment) and Microbiology CGU (CGU of production and sales of microbiology equipment) for the year ended 31 December 2022, which was based on value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The recoverable amount of the Distribution CGU has a significant headroom of not less than RMB100 million over the carrying amount of net assets of Distribution CGU. Management, based on the sensitivity analysis performed, is not aware of any reasonably possible changes in a key assumption used that would cause a cash generating unit's carrying amount to exceed its recoverable amount.

The recoverable amount of the Microbiology CGU was less than the carrying amount of net assets of the Microbiology CGU. Management, based on the valuation performed by Roma Appraisals Limited using discount cash flow method, made full impairment amounting to RMB16,901 thousand for intangible assets and RMB3,542 thousand for property, plant and equipment of Microbiology CGU. The impairment did not have material influence on operation and financial result of the Group (See also the paragraph headed "Business Review" above).

## **Credit risk**

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

## **Liquidity risk**

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

## **Capital expenditure**

For the year ended 31 December 2022, the Group's total capital expenditure amounted to approximately RMB34,285 thousand, which was primarily used in property, plant and equipment.

## **Charge/pledge of assets**

As of 31 December 2022, the Group's bank deposits of approximately RMB17,901 thousand were pledged to secure the Group's letter of credit in the aggregate amount of RMB66,528 thousand.

## **Borrowings**

The Group had bank borrowings of RMB329,497 thousand as of 31 December 2022 denominated in RMB, which bore interest at fixed rates. All of the Group's bank borrowings as of 31 December 2022 were repayable on or before 31 December 2023.

## **Contingent liabilities and guarantees**

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

## **Gearing ratio**

As of 31 December 2022, the Group's gearing ratio, which is equivalent to total debt divided by total assets, was approximately 7.6% (as of 31 December 2021: 9.4%).

## **Significant investments**

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

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

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

As of 31 December 2022, the Group did not have other plans for material investments and capital assets, save for the planned capital expenditure as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2019 (the "**Prospectus**"). The funding requirements will be satisfied by a combination of internally generated cash, external borrowings and other funds raised from the capital markets from time to time, in addition to the net proceeds from the initial public offering of the Company.

## **Share option schemes**

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

and 26,668,000 share options under the Share Option Scheme have been granted; 13,003,051 share options under the ESOP, and 25,067,920 share options under the Share Option Scheme were outstanding as of 31 December 2022.

### **Share Award Scheme**

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

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

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

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

### **Employee and remuneration policy**

As of 31 December 2022, the Group had 755 employees (as of 31 December 2021: 743 employees). Total staff remuneration expenses, including remuneration for Directors, for the year ended 31 December 2022 amounted to RMB177,517 thousand (for the year ended 31 December 2021: RMB198,313 thousand).

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

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

### **Subsequent events**

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

## **SUPPLEMENTAL INFORMATION**

### **Purchase, sale or redemption of the Company’s listed securities**

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

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

The Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures for the year ended 31 December 2022.

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

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

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

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

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

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

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

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

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

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

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 set out in this announcement have been agreed by Ernst & Young to the amounts set out in the Group’s draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

## **Review by the audit committee**

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

The Group's annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee. Based on such review, the Audit Committee was of the opinion that the Group's annual results were prepared in accordance with applicable accounting standards. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

## **Public float**

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

## **Pre-emptive rights**

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

## **Annual general meeting**

The AGM for the year ended 31 December 2022 is currently scheduled to be held on 19 May 2023. The notice of the AGM will be sent to the Shareholders at least 21 days before the AGM.

## **Final dividend**

The Board recommended the payment of a final dividend for the year ended 31 December 2022 out of the share premium account of the Company (the "**Share Premium Account**") in the amount of HK5.556 cents per Share to Shareholders. The final dividend is intended to be paid entirely out of the Share Premium Account pursuant to the Articles and in accordance with the Cayman Companies Act. As at 31 December 2022, based on the consolidated financial statements of the Group, the amount standing to the credit of the Share Premium Account amounted to approximately RMB2,328,800 thousand. The Board proposed to use an amount of approximately RMB66,206 thousand standing to the credit of the Share Premium Account for the payment of the final dividend. Following the payment of the final dividend on the basis of 1,354,590,080 Shares in issue as at the date of this announcement, there will be a remaining balance of approximately RMB2,262,594 thousand standing to the credit of the Share Premium Account.

It is expected that the final dividend, if approved by the shareholders at the AGM, will be paid in cash on Tuesday, 6 June 2023 to the qualifying Shareholders whose names appear on the register of members of the Company at close of business on Thursday, 25 May 2023, being the record date for determining the entitlements to the final dividend.

### **Closure of register of members**

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

- (a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 16 May 2023 to Friday, 19 May 2023, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 pm on Monday, 15 May 2023.
- (b) For the purpose of determining shareholders who qualify for the final dividend (if approved by the shareholders at the AGM), the register of members of the Company will be closed from Thursday, 25 May 2023 to Monday, 29 May 2023, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 pm on Wednesday, 24 May 2023.

### **Disclosure of information**

This announcement has been published on the websites of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.ivdholding.com>). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and on the same websites in due course.

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

Hong Kong, 17 March 2023

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