



# 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

### 2023 Interim Report



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# 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. Sun Tao\*

### 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

\* With effect from 17 August 2023, Mr. Chan Kwok King, Kingsley resigned as a non-executive director; and Mr. Sun Tao was appointed to take up the position.

## 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

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	Change
Revenue	<b>1,377,314</b>	1,176,557	17.1%
Gross profit	<b>301,540</b>	266,423	13.2%
Profit for the period	<b>104,002</b>	69,701	49.2%
Profit attributable to owners of the parent	<b>103,009</b>	81,149	26.9%
Adjusted profit for the period (Non-GAAP, see Note)	<b>117,396</b>	96,773	21.3%
Adjusted profit attributable to owners of the parent (Non-GAAP, see Note)	<b>116,403</b>	98,654	18.0%
<b>Earnings per share</b>			
Basic (RMB cents)	<b>7.62</b>	6.07	1.55
Diluted (RMB cents)	<b>7.62</b>	5.98	1.64

For the six months ended 30 June 2023 (the “**Reporting Period**”), the Group achieved a revenue of RMB1,377,314 thousand, which represented an increase of 17.1% as compared to the same period of 2022. Such increase was primarily due to increase in end customers’ demand of in vitro diagnostic (“**IVD**”) products, as the operation of hospitals resumed to normal from gradual recovery of coronavirus disease (“**COVID-19**”) for the Reporting Period.

Profit of the Group for the Reporting Period also recorded an increase of 49.2% as compared to the same period of 2022. Such increase was primarily due to (i) the aforesaid increase in revenue; and (ii) the impairment of property, plant and equipment and intangible assets amounting to RMB19,524 thousand for the same period of 2022 which did not recur in the Reporting Period .

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 the impact of certain non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, with the intent 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. See also the paragraph headed “Adjusted profit for the period” on page 23 of this interim report for more information and calculation of these non-GAAP financial measures.

# 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 RMB1,377,314 thousand, representing an increase of 17.1% as compared to the corresponding period of 2022. The Group's profit for the period increased by 49.2% to RMB104,002 thousand.

## Business Segments

The Group's business in the Reporting Period 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 Corporation's ("**Sysmex**") haemostasis products in the PRC. It has been the sole national distributor of Sysmex's haemostasis products with exclusive distribution rights in the PRC since 1997 and also procures a diversified portfolio of IVD products from other leading international brands for distribution in the PRC.

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

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 enables the Group to establish and maintain direct relationships with local medical practitioners, and keeps the Group close to the frontline of the medical practice and the market demand of IVD products. In the first half of 2023, the Group provided solution services to seven Class III hospitals in the PRC. Solution services contributed revenue of RMB112,227 thousand for the Reporting Period, representing an increase of 53.8% as compared to RMB72,987 thousand for the six months ended 30 June 2022. Such increase was primarily due to the operation of hospitals resumed to normal from gradual recovery of the COVID-19 for the Reporting Period.

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 30 June 2023, the Group had 240 (as of 30 June 2022: 204) direct customers, including hospitals and healthcare institutions, and 935 (as of 30 June 2022: 908) distributors in its established distribution network.

- **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's 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. ("**Bazoe**"), and the Group's IVD analysers were produced by the Group's subsidiaries, IVD Medical Equipment (Shanghai) Ltd. and Langmai Biotechnology (Shandong) Co., Ltd. ("**Langmai**"). 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group has been actively engaged in research projects to further develop its self-branded products business since listing. Over the past few years, the Group has invested in Bazoe and Langmai to develop its self-branded products of mass spectrometry and microbiology. The Group also cooperates with iCarbonX and set up an associate for IVD research and development and manufacturing, which focuses on molecular diagnostics reagents.

During the Reporting Period, operating losses amounting to RMB13,058 thousand from the operation of above projects have been included in the profit attributable to owners of the parent, as the projects are still in the early research stages. Such losses did not have a material impact on the Group's operation and financial results.

### 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 was highly concentrated, with top three market players dominating 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 the 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 COVID-19 pandemic.

### **BUSINESS OUTLOOK AND DEVELOPMENT STRATEGIES**

The Company's successful listing on the Stock Exchange on 12 July 2019 provided the Group with a good opportunity for future development. With the support 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 RMB1,377,314 thousand, representing an increase of RMB200,757 thousand or 17.1% as compared to the corresponding period of 2022.

During the Reporting Period, the Group recorded a profit for the period of RMB104,002 thousand, representing an increase of RMB34,301 thousand or 49.2% as compared to the corresponding period of 2022. Profit attributable to owners of the parent amounted to RMB103,009 thousand, representing an increase of RMB21,860 thousand or 26.9% as compared to the corresponding period of 2022.

During the Reporting Period, the Group recorded non-GAAP adjusted profit for the period of RMB117,396 thousand, representing an increase of RMB20,623 thousand or 21.3% as compared to the corresponding period of 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the six months ended 30 June

	2023 RMB'000	2022 RMB'000	Change
<b>Operating Results</b>			
Revenue	<b>1,377,314</b>	1,176,557	17.1%
Gross profit	<b>301,540</b>	266,423	13.2%
Earnings before interest and depreciation and amortisation (EBITDA)	<b>191,864</b>	135,442	41.7%
Profit for the period	<b>104,002</b>	69,701	49.2%
Profit attributable to owners of the parent	<b>103,009</b>	81,149	26.9%
Adjusted profit for the period (Note 1)	<b>117,396</b>	96,773	21.3%
Adjusted profit attributable to owners of the parent (Note 1)	<b>116,403</b>	98,654	18.0%
<b>Financial Ratios</b>			
Gross profit margin (%) (Note 2)	<b>21.9%</b>	22.6%	decreased by 0.7 percentage point
Net profit margin (%) (Note 2)	<b>7.6%</b>	5.9%	increased by 1.7 percentage point
Adjusted profit for the period margin (%) (Note 3)	<b>8.5%</b>	8.2%	increased by 0.3 percentage point
Return on assets (%) (Note 2)	<b>2.3%</b>	1.6%	increased by 0.7 percentage point
Return on equity (%) (Note 2)	<b>3.2%</b>	2.7%	increased by 0.5 percentage point
Average turnover days of trade receivables (days) (Note 2)	<b>70</b>	77	(7)
Average turnover days of inventories (days) (Note 2)	<b>122</b>	142	(20)
Average turnover days of trade payables (days) (Note 2)	<b>53</b>	80	(27)

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

	30 June 2023 RMB'000	31 December 2022 RMB'000	Change
<b>Financial Position</b>			
Total assets	<b>4,553,668</b>	4,314,277	5.5%
Equity attributable to owners of the parent	<b>3,202,848</b>	3,153,386	1.6%
Cash and cash equivalents	<b>1,248,799</b>	1,020,626	22.4%
<b>Financial Ratios</b>			
Current ratio (times) (Note 2)	<b>2.4</b>	2.6	(0.2)
Quick ratio (times) (Note 2)	<b>1.7</b>	2.0	(0.3)
Debt to equity ratio (times) (Note 2)	<b>0.2</b>	0.1	0.1

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 certain non-operating items which the Company considers to be not indicative of the operating performance of the Group. See also the paragraph headed "Adjusted profit for the period" on page 23 of this interim report for more information and calculation of these non-GAAP financial measures.

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 (a non-GAAP financial measure, the calculation method is the same as set out in Note 1 above), divided by the revenue for the Reporting Period.

## REVENUE

Revenue of the Group amounted to RMB1,377,314 thousand for the Reporting Period, representing an increase of 17.1% compared to RMB1,176,557 thousand for the six months ended 30 June 2022. Such increase was primarily due to increase in end customers' demand of IVD products, as the operation of hospitals resumed to normal from gradual recovery of the COVID-19 for the Reporting Period.

### Revenue by business segment

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

Business segment	For the six months ended 30 June				
	2023		2022		Change
	RMB'000	%	RMB'000	%	
Distribution business	<b>1,293,002</b>	<b>93.9</b>	1,097,468	93.2	17.8%
After-sales services	<b>78,163</b>	<b>5.7</b>	77,286	6.6	1.1%
Self-branded products business	<b>6,149</b>	<b>0.4</b>	1,803	0.2	241.0%
<b>Total</b>	<b>1,377,314</b>	<b>100.0</b>	1,176,557	100.0	17.1%

### Revenue by product type

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

Product type	For the six months ended 30 June				
	2023		2022		Change
	RMB'000	%	RMB'000	%	
IVD analysers					
– Distribution business	<b>140,801</b>	<b>10.9</b>	124,314	11.3	13.3%
– Self-branded products business	<b>1,728</b>	<b>0.1</b>	12	0.0	14,300.0%
Subtotal	<b>142,529</b>	<b>11.0</b>	124,326	11.3	14.6%
IVD reagents and other consumables					
– Distribution business	<b>1,152,201</b>	<b>88.7</b>	973,154	88.5	18.4%
– Self-branded products business	<b>4,421</b>	<b>0.3</b>	1,791	0.2	146.8%
Subtotal	<b>1,156,622</b>	<b>89.0</b>	974,945	88.7	18.6%
Total	<b>1,299,151</b>	<b>100.0</b>	1,099,271	100.0	18.2%

## 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	2023		2022		Change
	RMB'000	%	RMB'000	%	
<b>For the six months ended 30 June</b>					
Distribution business					
– Distributors	<b>1,044,019</b>	<b>80.3</b>	954,037	86.8	9.4%
– Hospitals and healthcare institutions	<b>169,563</b>	<b>13.1</b>	97,045	8.8	74.7%
– Logistics providers	<b>79,420</b>	<b>6.1</b>	46,386	4.2	71.2%
Subtotal	<b>1,293,002</b>	<b>99.5</b>	1,097,468	99.8	17.8%
Self-branded products business					
– Distributors	<b>4,651</b>	<b>0.4</b>	1,794	0.2	159.3%
– Hospitals and healthcare institutions	<b>1,498</b>	<b>0.1</b>	9	0.0	16,544.4%
Subtotal	<b>6,149</b>	<b>0.5</b>	1,803	0.2	241.0%
Total	<b>1,299,151</b>	<b>100.0</b>	1,099,271	100.0	18.2%

## Cost of sales

Cost of sales of the Group amounted to RMB1,075,774 thousand for the Reporting Period, representing an increase of 18.2% compared to RMB910,134 thousand for the six months ended 30 June 2022.

### 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:

Business segment	For the six months ended 30 June				
	2023		2022		Change
	RMB'000	%	RMB'000	%	
Distribution business	<b>1,026,309</b>	<b>95.4</b>	880,561	96.7	16.6%
After-sales services	<b>47,784</b>	<b>4.4</b>	28,898	3.2	65.4%
Self-branded products business	<b>1,681</b>	<b>0.2</b>	675	0.1	149.0%
<b>Total</b>	<b>1,075,774</b>	<b>100.0</b>	910,134	100.0	18.2%

## 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	For the six months ended 30 June				
	2023		2022		Change
	RMB'000	%	RMB'000	%	
IVD analysers					
– Distribution business	<b>112,581</b>	<b>10.9</b>	89,969	10.2	25.1%
– Self-branded products business	<b>737</b>	<b>0.1</b>	11	0.0	6,600.0%
Subtotal	<b>113,318</b>	<b>11.0</b>	89,980	10.2	25.9%
IVD reagents and other consumables					
– Distribution business	<b>913,728</b>	<b>88.9</b>	790,592	89.7	15.6%
– Self-branded products business	<b>944</b>	<b>0.1</b>	664	0.1	42.2%
Subtotal	<b>914,672</b>	<b>89.0</b>	791,256	89.8	15.6%
Total	<b>1,027,990</b>	<b>100.0</b>	881,236	100.0	16.7%

### Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. Gross profit of the Group amounted to RMB301,540 thousand for the Reporting Period, representing an increase of 13.2% as compared to RMB266,423 thousand for the six months ended 30 June 2022. Such increase was primarily due to the increase in revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gross profit margin is calculated as gross profit divided by revenue. Gross profit margin of the Group was 21.9% for the Reporting Period, decreased from 22.6% for the six months ended 30 June 2022, which was primarily due to the increase in cost of service rendered.

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

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

Business segment	For the six months ended 30 June				
	2023		2022		Change
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
Distribution business					
– IVD analysers	<b>28,220</b>	<b>20.0</b>	34,345	27.6	(17.8%)
– IVD reagents and other consumables	<b>238,473</b>	<b>20.7</b>	182,562	18.8	30.6%
Subtotal	<b>266,693</b>	<b>20.6</b>	216,907	19.8	23.0%
After-sales services	<b>30,379</b>	<b>38.9</b>	48,388	62.6	(37.2%)
Self-branded products business					
– IVD analysers	<b>991</b>	<b>57.3</b>	1	8.3	99,000.0%
– IVD reagents and other consumables	<b>3,477</b>	<b>78.6</b>	1,127	62.9	208.5%
Subtotal	<b>4,468</b>	<b>72.7</b>	1,128	62.6	296.1%
Total	<b>301,540</b>	<b>21.9</b>	266,423	22.6	13.2%

## 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				
	2023		2022		Change
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
IVD analysers					
– Distribution business	<b>28,220</b>	<b>20.0</b>	34,345	27.6	(17.8%)
– Self-branded products business	<b>991</b>	<b>57.3</b>	1	8.3	99,000.0%
Subtotal	<b>29,211</b>	<b>20.5</b>	34,346	27.6	(15.0%)
IVD reagents and other consumables					
– Distribution business	<b>238,473</b>	<b>20.7</b>	182,562	18.8	30.6%
– Self-branded products business	<b>3,477</b>	<b>78.6</b>	1,127	62.9	208.5%
Subtotal	<b>241,950</b>	<b>20.9</b>	183,689	18.8	31.7%
Total	<b>271,161</b>	<b>20.9</b>	218,035	19.8	24.4%

### Other income and gains

Other income and gains of the Group amounted to RMB18,957 thousand for the Reporting Period, representing an increase of 1,276.7% compared to RMB1,377 thousand for the six months ended 30 June 2022. Such increase was primarily due to the increase of exchange gain.

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<u>Other income</u>		
Bank interest income	<b>1,749</b>	894
Government subsidies	<b>3,720</b>	262
Others	<b>656</b>	92
	<b>6,125</b>	1,248
<u>Gains</u>		
Gain on termination/modification of lease contracts	<b>8</b>	129
Gain on disposal of items of property, plant and equipment	<b>94</b>	-
Exchange gain	<b>12,730</b>	-
	<b>12,832</b>	129
<b>Total</b>	<b>18,957</b>	1,377

### Selling and distribution expenses

Selling and distribution expenses of the Group amounted to RMB60,568 thousand for the Reporting Period, representing an increase of 31.7% compared to RMB45,999 thousand for the six months ended 30 June 2022. Such increase was due to the increase of marketing activities after impact of COVID-19 diminished.

### Administrative expenses

Administrative expenses of the Group amounted to RMB71,933 thousand for the Reporting Period, representing a decrease of 7.1% compared to RMB77,395 thousand for the six months ended 30 June 2022. Such decrease was primarily due to the expenses in relation to employee share-based compensation benefits under the share award scheme adopted by the Company on 19 May 2020 (the “**Share Award Scheme**”) amounting to RMB11,993 thousand for the six months ended 30 June 2022 which did not recur in the Reporting Period.

### Other expenses

Other expenses of the Group amounted to RMB21,761 thousand for the six months ended 30 June 2022, which was mainly attributable to the impairment of property, plant and equipment and intangible assets which did not recur during the Reporting Period.

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Impairment of intangible assets	–	17,670
Impairment of property, plant and equipment	–	1,854
Exchange loss	–	2,232
Loss on disposal of items of property, plant and equipment	–	5
	–	21,761

### Finance costs

Finance costs of the Group amounted to RMB10,739 thousand for the Reporting Period, representing a decrease of 9.8% as compared to RMB11,911 thousand for the six months ended 30 June 2022. Such decrease was primarily due to the decrease of average bank borrowing amount when compared to the six months ended 30 June 2022.

### Profit for the period

Profit of the Group for the period amounted to RMB104,002 thousand for the Reporting Period, representing an increase of 49.2% as compared to RMB69,701 thousand for the six months ended 30 June 2022. Such increase was primarily due to (i) the increase of revenue as detailed above; and (ii) the impairment of property, plant and equipment and intangible assets amounting to RMB19,524 thousand for six months ended 30 June 2022 which did not recur in the Reporting Period.

### Adjusted profit for the period

Certain additional non-GAAP financial measures (adjusted profit of the Group and adjusted profit attributable to owners of the parent) have been presented in this interim report. These non-GAAP financial measures exclude the impact of certain non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, with the intent to provide the Shareholders and potential investors with useful supplementary information to assess the performance of the Group's core operations. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with relevant GAAP. In addition, these non-GAAP financial measures do not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies. Adjusted profit of the Group for the period amounted to RMB117,396 thousand for the Reporting Period, representing an increase of 21.3% as compared to RMB96,773 thousand for the six months ended 30 June 2022. Such increase was primarily due to the increase of revenue. The following table sets out the calculation of the non-GAAP adjusted profit of the Group for the Reporting Period and the corresponding period in 2022:

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit for the period	<b>104,002</b>	69,701
Adjusted for non-operating items:		
Impairment of property, plant and equipment and intangible assets	–	19,524
Employee share-based compensation benefits under the Share Award Scheme	–	11,993
Tax effects related to employee share-based compensation benefits under the Share Award Scheme	<b>11,249</b>	(11,642)
Fair value loss on financial assets at fair value through profit or loss	<b>1,648</b>	6,981
Share of loss of a joint venture	<b>663</b>	216
Deferred tax of share of loss of a joint venture	<b>(166)</b>	–
Adjusted profit for the period (Non-GAAP)	<b>117,396</b>	96,773

### Liquidity and financial resources

As of 30 June 2023, the Group had cash and cash equivalents of RMB1,248,799 thousand (primarily denominated in HKD, RMB and USD), as compared to RMB1,020,626 thousand as of 31 December 2022. 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 2023, the Group's total equity attributable to owners of the parent was RMB3,202,848 thousand (31 December 2022: RMB3,153,386 thousand), comprising share capital of RMB4,637 thousand (31 December 2022: RMB4,637 thousand) and reserves of RMB3,198,211 thousand (31 December 2022: RMB3,148,749 thousand).

### Net current assets

The Group had net current assets of RMB1,595,409 thousand as of 30 June 2023, representing an increase of RMB65,935 thousand as compared to RMB1,529,474 thousand as of 31 December 2022.

### 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 during the Reporting Period, 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 USD and HKD. For the Reporting Period, the Group recorded a net exchange gain of RMB12,730 thousand, as compared to a net exchange loss of RMB2,232 thousand for the six months ended 30 June 2022. As of 30 June 2023, the Group has not had any significant hedging arrangement to manage foreign exchange risks but has been actively monitoring and overseeing its foreign exchange risks.

### Credit risk

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

### Liquidity risk

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

### Capital expenditure

For the Reporting Period, the Group's total capital expenditure amounted to RMB17,179 thousand, which was primarily used in property, plant and equipment.

### Charge/pledge on assets

As of 30 June 2023, the Group's bank deposits of approximately RMB28,222 thousand were pledged to secure the Group's letter of credit in the aggregate amount of RMB94,074 thousand.

### Borrowings

The Group had bank borrowings of RMB497,065 thousand as of 30 June 2023 denominated in RMB, all of which bore interest at fixed rates. All of the Group's bank borrowings as of 30 June 2023 were repayable on or before 30 June 2024.

### Contingent liabilities and guarantees

As of 30 June 2023, the Group did not have any material contingent liabilities, guarantees or any litigation against it (as of 31 December 2022: nil).

### Gearing ratio

As of 30 June 2023, 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 10.9% (as of 31 December 2022: 7.6%).

### Significant investments

The aggregate carrying value of the Group's investments in joint venture(s) and associate(s) amounted to RMB48,186 thousand as of 30 June 2023.

As of 30 June 2023 and 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 30 June 2023, the Group did not have any capital commitments (as of 31 December 2022: nil) to acquire property, plant or equipment.

As of 30 June 2023, the Group did not have other plans for material investments and capital assets authorised by the Board.

### Share 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**”) and a share option scheme (the “**Share Option Scheme**”). 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 13,003,051 options and 25,067,920 options were outstanding under the ESOP and the Share Option Scheme respectively, as of 30 June 2023.

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. As of 30 June 2023, 2,711,000 Shares were held in trust under the Share Award Scheme (including 155,000 Shares acquired on-market by the trustee at an aggregate consideration of approximately HKD304 thousand during the Reporting Period and excluding Shares vested but not yet transferred to the grantees). There were no unvested award shares as of 30 June 2023.

No grants were made under the above share schemes of the Company during the Reporting Period.

Please refer to the Company’s 2022 annual report – “Report of the Directors – Share Schemes” and the paragraph headed “Share Schemes” on page 66 of this report for further information.

### Employee and remuneration policy

As of 30 June 2023, the Group had 779 employees (as of 30 June 2022: 739 employees). Total staff remuneration expenses, including remuneration for Directors, for the Reporting Period, amounted to RMB62,898 thousand (for the six months ended 30 June 2022: RMB65,990 thousand).

The Group has established a fair, cyclical, reasonable and competitive remuneration system for its staff, and pays employees based on the principles of fairness, competitiveness, motivation, reasonableness and legitimacy. The Group provides a competitive salary structure, with key considerations of the Group's operating situation, socio-economic prosperity and employees' performance, ability and contribution to the Group's business. The Group has adopted a performance-based remuneration policy, where employees' remuneration is composed of basic salary and performance salary, together with contributions under mandatory insurance/provident fund under applicable laws. Employees may also be entitled to year-end bonus based on their individual performance and the Group's operating situation, and incentives under the Company's share schemes.

The Group places significant emphasis on staff training and development. The Group 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. Up to 30 June 2023, the net proceeds have been fully utilised in accordance with the purposes set out in the Prospectus and within the expected timeframe, as set out below.

Planned use of proceeds as stated in the Prospectus	Percentage as to the total amount (%)	Amount (HKD million)	Actual use of proceeds up to 30 June 2023	Balance as of 30 June 2023
			Amount (HKD million)	Amount (HKD million)
Planned use				
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>	–
Paying part of the special dividend	34.0	306.8	<b>306.8</b>	–
Expanding customer base under distribution business	5.8	52.4	<b>52.4</b>	–
Continuing research and development of self-branded products	3.0	26.8	<b>26.8</b>	–
Expanding distribution business and improving distribution value chain	2.2	19.8	<b>19.8</b>	–
Using as working capital and for general corporate purpose	3.9	35.4	<b>35.4</b>	–
<b>Total</b>	100.0	902.9	<b>902.9</b>	–

*Note:* The actual net proceeds from the initial public offering received by the Company was HKD902.9 million, compared to the estimated amount of HKD1,030.9 million based on the mid-point indicative offer price as stated in the Prospectus. Accordingly and in accordance with the disclosure in the Prospectus, pro-rata adjustment was made for items 3 to 6 above among themselves.

# INDEPENDENT REVIEW REPORT



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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 32 to 61, 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 2023 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  
18 August 2023

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

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
Notes		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	<b>1,377,314</b>	1,176,557
Cost of sales		<b>(1,075,774)</b>	(910,134)
<b>GROSS PROFIT</b>		<b>301,540</b>	266,423
Other income and gains	5	<b>18,957</b>	1,377
Selling and distribution expenses		<b>(60,568)</b>	(45,999)
Administrative expenses		<b>(71,933)</b>	(77,395)
Other expenses		–	(21,761)
Finance costs		<b>(10,739)</b>	(11,911)
Fair value loss on financial assets at fair value through profit or loss		<b>(1,648)</b>	(6,981)
Share of (loss)/profits of associates		<b>(12,129)</b>	561
Share of loss of a joint venture		<b>(663)</b>	(216)
Reversal of/(impairment of) trade receivables	6	<b>92</b>	(603)
<b>PROFIT BEFORE TAX</b>	6	<b>162,909</b>	103,495
Income tax expense	7	<b>(58,907)</b>	(33,794)
<b>PROFIT FOR THE PERIOD</b>		<b>104,002</b>	69,701

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

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(531)</b>	(2,795)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	<b>14,817</b>	26,306
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>14,286</b>	23,511
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>118,288</b>	93,212
Profit for the period attributable to:		
Owners of the parent	<b>103,009</b>	81,149
Non-controlling interests	<b>993</b>	(11,448)
	<b>104,002</b>	69,701

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

For the six months ended 30 June 2023

		<b>Six months ended 30 June</b>	
Note		<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
Total comprehensive income attributable to:			
Owners of the parent		<b>117,295</b>	104,660
Non-controlling interests		<b>993</b>	(11,448)
		<b>118,288</b>	93,212
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	<b>RMB7.62</b>	RMB6.07
		<b>cents</b>	cents
Diluted	9	<b>RMB7.62</b>	RMB5.98
		<b>cents</b>	cents

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>81,439</b>	83,103
Intangible assets		<b>1,635,885</b>	1,635,885
Investments in associates		<b>9,831</b>	17,460
Investment in a joint venture		<b>38,355</b>	38,447
Financial assets at fair value through profit or loss		<b>53,926</b>	59,378
Deferred tax assets		<b>5,815</b>	5,366
<b>Total non-current assets</b>		<b>1,825,251</b>	1,839,639
<b>CURRENT ASSETS</b>			
Inventories		<b>822,814</b>	628,622
Trade receivables	11	<b>491,036</b>	566,796
Prepayments and other receivables	12	<b>137,546</b>	240,693
Pledged deposits		<b>28,222</b>	17,901
Cash and cash equivalents		<b>1,248,799</b>	1,020,626
<b>Total current assets</b>		<b>2,728,417</b>	2,474,638
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	<b>300,884</b>	324,054
Other payables and accruals	14	<b>306,450</b>	253,722
Interest-bearing bank borrowings	15	<b>497,065</b>	329,497
Tax payable		<b>28,609</b>	37,891
<b>Total current liabilities</b>		<b>1,133,008</b>	945,164
<b>NET CURRENT ASSETS</b>		<b>1,595,409</b>	1,529,474
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,420,660</b>	3,369,113

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals	14	<b>9,184</b>	12,566
Deferred tax liabilities		<b>207,557</b>	203,083
<b>Total non-current liabilities</b>		<b>216,741</b>	215,649
<b>Net assets</b>		<b>3,203,919</b>	3,153,464
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	16	<b>4,637</b>	4,637
Reserves		<b>3,198,211</b>	3,148,749
		<b>3,202,848</b>	3,153,386
<b>Non-controlling interests</b>		<b>1,071</b>	78
<b>Total equity</b>		<b>3,203,919</b>	3,153,464

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

Note	Attributable to owners of the parent												
	Share capital RMB'000	Share premium RMB'000	Share award scheme RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Award share reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000	Non-controlling interests RMB'000	
At 1 January 2023	4,637	2,328,800*	(1,557)*	60,700*	(13,767)*	25,787*	37,166*	50,456*	8,565*	652,599*	3,153,386	78	3,153,464
Profit for the period	-	-	-	-	-	-	-	-	-	103,009	103,009	993	104,002
Other comprehensive income/(loss) for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(531)	-	(531)	-	(531)
Exchange differences on translation of the Company	-	-	-	-	-	-	-	-	14,817	-	14,817	-	14,817
Total comprehensive income for the period	-	-	-	-	-	-	-	-	14,286	103,009	117,295	993	118,288
Purchase of shares for the share award scheme	-	-	(263)	-	-	-	-	-	-	-	(263)	-	(263)
Final 2022 dividend	-	(67,570)	-	-	-	-	-	-	-	-	(67,570)	-	(67,570)
At 30 June 2023 (unaudited)	4,637	2,261,230*	(1,820)*	60,700*	(13,767)*	25,787*	37,166*	50,456*	22,851*	755,608*	3,202,848	1,071	3,203,919

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

For the six months ended 30 June 2023

	Attributable to owners of the parent											Non-controlling interests	Total equity	
	Shares held for share										Total			
	Note	Share capital	Share premium	Share award scheme	Merger reserve	Capital reserve	Statutory reserve	Share option reserve	Award share reserve	Exchange fluctuation reserve				Retained profits
	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	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	5	5,019	-	-	-	-	(1,077)	-	-	-	3,947	-	3,947	
Employee share-based compensation benefits under the share award scheme	-	-	-	-	-	-	-	11,993	-	-	11,993	-	11,993	
Vesting of shares under the share award scheme	-	-	6	-	-	-	-	(6)	-	-	-	-	-	
Final 2021 dividend	8	(59,917)	-	-	-	-	-	-	-	-	(59,917)	-	(59,917)	
Transfer from retained profits	-	-	-	-	-	329	-	-	-	(329)	-	-	-	
At 30 June 2022 (unaudited)	4,637	2,360,835	(92)	60,700	(13,767)	25,224	37,166	50,542	(10,009)	524,312	3,039,548	3,099	3,042,647	

\* These reserve accounts comprise the condensed consolidated reserves of RMB3,198,211,000 (31 December 2022: RMB3,148,749,000) in the condensed consolidated statement of financial position as at 30 June 2023.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	30 June 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited)
Net cash flow from/(used in) operating activities	<b>131,125</b>	(100,554)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	<b>(17,179)</b>	(8,005)
Formation of an associate	–	(3,100)
Proceeds from disposal of items of property, plant and equipment	<b>2,964</b>	396
Proceeds from redemption of unlisted funds designated at fair value through profit or loss	<b>4,841</b>	12,177
Investment in joint venture	<b>(571)</b>	(10,000)
Loans to an associate	<b>(4,500)</b>	(11,000)
Repayment from/(advance to) associates	<b>184</b>	(52)
Interest received	<b>1,749</b>	894
(Increase)/decrease in pledged deposits	<b>(10,321)</b>	4,597
Net cash flows used in investing activities	<b>(22,833)</b>	(14,093)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares upon exercise of share options	–	3,947
Purchase of shares for the share award scheme	<b>(263)</b>	–
New bank borrowings	<b>626,044</b>	870,833
Repayment of bank borrowings	<b>(458,476)</b>	(581,026)
Principal portion of lease payments	<b>(4,248)</b>	(4,894)
Advance from shareholders	<b>(1,395)</b>	(1,137)
Dividend paid	<b>(49,130)</b>	(43,852)
Interest paid	<b>(10,739)</b>	(11,911)
Net cash flows from financing activities	<b>101,793</b>	231,960

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

For the six months ended 30 June 2023

	30 June 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>210,085</b>	117,313
Cash and cash equivalents at the beginning of period	<b>1,020,626</b>	834,626
Effect of foreign exchange rate changes, net	<b>18,088</b>	33,872
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<b>1,248,799</b>	985,811
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>1,248,799</b>	985,811

## 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 2023 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 2022.

### 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 2022, except for the adoption of following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
  
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, 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 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

The amendments have no impact on the condensed consolidated statement of financial position of the Group.

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Mainland China	1,370,573	1,172,545
Others	6,741	4,012
	<b>1,377,314</b>	1,176,557

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

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
	Mainland China	1,760,466
Others	5,044	5,575
	<b>1,765,510</b>	1,774,895

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

### 3. OPERATING SEGMENT INFORMATION (continued)

#### Information about major customers

During the six months ended 30 June 2023 and 2022, 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sales of trading goods	<b>1,293,002</b>	1,097,468
Sales of manufactured goods	<b>6,149</b>	1,803
Provision of after-sales services	<b>78,163</b>	77,286
	<b>1,377,314</b>	1,176,557

NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (CONTINUED)

30 June 2023

#### 4. REVENUE (continued)

##### Revenue from contracts with customers

##### Disaggregated revenue information

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<u>Types of goods and services</u>		
Sales of medical equipment	142,529	124,326
Sales of medical consumables	1,156,622	974,945
Provision of after-sales services	78,163	77,286
<b>Total revenue from contracts with customers</b>	<b>1,377,314</b>	1,176,557
<u>Types of customers</u>		
Sales to hospitals and healthcare institutions	171,061	97,054
Sales to logistics providers	79,420	46,386
Sales to distributors	1,048,670	955,831
Sales to service customers	78,163	77,286
<b>Total revenue from contracts with customers</b>	<b>1,377,314</b>	1,176,557
<u>Timing of revenue recognition</u>		
Goods transferred at a point in time	1,299,151	1,099,271
Services transferred over time	78,163	77,286
<b>Total revenue from contracts with customers</b>	<b>1,377,314</b>	1,176,557

## 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<u>Other income</u>		
Bank interest income	1,749	894
Government subsidies*	3,720	262
Others	656	92
	<b>6,125</b>	1,248
<u>Gains</u>		
Gain on termination/modification of lease contracts	8	129
Gain on disposal of items of property, plant and equipment	94	–
Exchange gain	12,730	–
	<b>12,832</b>	129
	<b>18,957</b>	1,377

\* 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. An 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 2023

## 6. PROFIT BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of inventories sold*	<b>1,027,990</b>	881,236
Cost of services provided*	<b>47,784</b>	28,898
Depreciation of owned assets	<b>11,681</b>	12,958
Depreciation of right-of-use assets	<b>6,535</b>	6,290
Amortisation of intangible assets	–	768
Research and development costs	<b>4,057</b>	2,855
(Reversal of)/impairment of trade receivables	<b>(92)</b>	603
Employee share-based compensation benefits under the share award scheme	–	11,993
Foreign exchange differences, net	<b>(12,730)**</b>	2,232****
(Gain)/loss on disposal of items of property, plant and equipment	<b>(94)**</b>	5****
Impairment of intangible assets****	–	17,670
Impairment of property, plant and equipment****	–	1,854
Write-down of inventories to net realisable value***	<b>4,072</b>	904

\* 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.

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

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

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

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of the 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2022: 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current – Mainland China		
Charge for the period	<b>39,650</b>	26,055
Underprovision in prior periods	<b>10,115</b>	6,891
Current – Hong Kong		
Charge for the period	<b>5,117</b>	216
Deferred	<b>4,025</b>	632
Total tax charge for the period	<b>58,907</b>	33,794

30 June 2023

## 8. DIVIDENDS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Dividends recognised as distribution during the reporting period:		
Final in respect of the year ended 31 December 2022 - HK5.556 cents per ordinary share (2022: Final in respect of the year ended 31 December 2021 - HK5.284 cents per ordinary share)	<b>67,570</b>	59,917
Dividend declared after the end of the reporting period:		
Proposed 2023 Interim – HK2.970 cents per ordinary share (2022: Proposed 2022 Interim – HK2.729 cents per ordinary share)	<b>37,009</b>	32,035
	<b>104,579</b>	91,952

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

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

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

The calculation of the diluted earnings per share amount for the six months ended 30 June 2023 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	
	2023 RMB'000 (Unaudited)	2022 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>103,009</b>	81,149

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

	Number of shares	
	Six months ended 30 June	
	2023	2022
<u>Shares</u>		
Weighted average number of ordinary shares in issue less treasury shares and shares held for share award scheme held by the Company during the period used in the basic earnings per share calculation	<b>1,351,891,655</b>	1,337,875,234
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	–	4,126,954
Assumed issue at no consideration on deemed vesting of all awarded share outstanding during the period	–	14,089,375
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<b>1,351,891,655</b>	1,356,091,563

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of owned property, plant and equipment of RMB17,179,000 (six months ended 30 June 2022: RMB8,005,000).

## 11. TRADE RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	<b>495,734</b>	572,218
Impairment	<b>(4,698)</b>	(5,422)
	<b>491,036</b>	566,796

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	<b>366,419</b>	409,310
1 to 2 months	<b>48,705</b>	69,444
2 to 3 months	<b>16,697</b>	22,434
Over 3 months	<b>59,215</b>	65,608
	<b>491,036</b>	566,796

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## 12. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Prepayments	116,354	217,795
Deposits and other receivables	18,310	21,227
Amounts due from associates	1	185
Amounts due from shareholders	2,881	1,486
	<b>137,546</b>	240,693

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

## 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	273,700	131,146
1 to 2 months	341	71,531
2 to 3 months	6,081	57,479
Over 3 months	20,762	63,898
	<b>300,884</b>	324,054

## 14. OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contract liabilities	115,824	56,937
Other payables	19,885	25,962
Accruals	21,572	45,025
Dividends payables	139,574	117,674
Lease liabilities	18,541	20,424
Others	238	266
	<b>315,634</b>	266,288
Less: other payables included in non-current liabilities	<b>(9,184)</b>	(12,566)
	<b>306,450</b>	253,722

## 15. INTEREST-BEARING BANK BORROWINGS

	Note	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current:</b>							
Bank loans – unsecured	(a)	3.9 – 4.3	2023- 2024	497,065	4.0 – 4.6	2023	329,497

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2023

## 15. INTEREST-BEARING BANK BORROWINGS (continued)

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	497,065	329,497
	<b>497,065</b>	329,497

Note:

- (a) The bank loans bear interest at fixed rates ranging from 3.9% to 4.3% (31 December 2022: 4.0% to 4.6%) and denominated in Renminbi.

## 16. SHARE CAPITAL

### Shares

	30 June 2023		31 December 2022	
	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 (31 December 2022: 1,354,590,080) of US\$0.0005 each	678	4,637	678	4,637

## 17. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
Notes		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchases of products:			
Alifax Diagnostics Co., Limited ("Alifax")	(i)	1,098	167
Shinva Medical Instrument Co., Ltd ("Shinva") and its subsidiaries (collectively referred to as "Shinva Group")	(ii)	60	270
Rental expenses:			
Shinva Group	(iii)	1,959	1,816
Addition of right-of-use assets:			
Mr. Ho Kuk Sing ("Mr. Ho")	(iv)	–	3,906
Mr. Leung King Sun ("Mr. Leung")	(iv)	–	3,771
Mr. Lin Xianya ("Mr. Lin")	(iv)	–	6,743
Shinva Group	(v)	–	622

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 2023.
- (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 offices 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 2023.

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## 17. RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short term employee benefits	6,931	6,025
Employee share-based compensation benefits under the share award scheme	–	1,694
Post-employment benefits	303	261
Total compensation paid to key management personnel	7,234	7,980

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

Management has assessed that the fair values of cash and bank balances, trade 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 2023 and 31 December 2022 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 2023 and 31 December 2022:

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

30 June 2023

## 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 2023

	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	–	53,926	–	53,926

31 December 2022

	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	-	54,352	5,026	59,378

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 2022: 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 18 August 2023.

## OTHER INFORMATION

### SHAREHOLDING INFORMATION

#### Directors and chief executives

As of 30 June 2023, 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 (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) 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
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%
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%
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%

## 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.
- (6) More information about the outstanding Options in which Mr. Ho, Mr. Leung and Mr. Lin were interested is set out in the paragraph headed “Share schemes” on page 66 of this report.

Save as disclosed above, as of 30 June 2023, 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION (CONTINUED)

### Substantial Shareholders and Other Persons

So far as the Directors are aware of, as of 30 June 2023, the following persons (other than Directors or chief executives of the Company) had interests or short positions in the Shares and the underlying Shares as recorded in the register required to be kept pursuant to section 336 of the SFO:

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>(3)</sup>	Beneficial owner	443,654,371(L)	32.75%
Shinva Medical Instrument Co., Ltd <sup>(3)</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)</sup>	Interest in a controlled corporation	93,207,730(L)	6.88%

Notes:

- (1) The letter “L” denotes long position 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.

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 561,000(L) Shares pursuant to the SFO.

Out of the above Morgan Stanley’s interests in Shares include interests in 9,000(L) Shares in cash settled unlisted derivatives.

- (3) Huatuo International Development Co., Limited is a company incorporated under the laws of Hong Kong 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 2023 that was 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, the trustee of the Share Award Scheme acquired 155,000 Shares under such scheme, see also the paragraph headed "Share Scheme" on page 27 above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the its listed securities.

## SHARE SCHEMES

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

The following is a summary of the principal terms of the ESOP 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 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 US\$0.0005 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 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 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 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 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*

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 SCHEMES (continued)

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

## (i) Outstanding options (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. Further information of the Management Options during the Reporting Period is set out below:

Name of Grantees	Date of grant <sup>2,3</sup>	Number of Management Options	Exercise price (RMB per Share)	Outstanding as of 1 January 2023	During the Reporting Period			Outstanding as of 30 June 2023	Vesting and exercise period
					Exercised (Relevant closing price)	Cancelled	Lapsed		
<b>Directors</b>									
Ho Kuk Sing	12 July 2019	20,479,805	1.69	8,191,922	-	-	-	8,191,922	Note 4
Leung King Sun	12 July 2019	3,900,915	1.69	1,560,366	-	-	-	1,560,366	Note 4
Lin Xianya	12 July 2019	8,126,907	1.69	3,250,763	-	-	-	3,250,763	Note 4
Total		32,507,627		13,003,051 <sup>5</sup>	-	-	-	13,003,051 <sup>5</sup>	

*Notes:*

1. No Management Options were granted or available for grant during the Reporting Period.
2. A consideration of RMB0.1 was payable by each grantee upon acceptance of the Management Option.
3. The grant was made prior to the Company's listing on the Stock Exchange.

## SHARE SCHEMES (continued)

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

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

4. Each grantee, upon accepting the options under the ESOP, is deemed to have undertaken to the Company that he will hold and exercise his option 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 option and the holding of such Shares.

See also “(d) Exercise of option” above regarding the vesting periods and performance targets of the Management Options. All Management Options have been vested prior to the Reporting Period.

The Management Options may be exercised after they are vested until its expiration date on 28 December 2024 (unless terminated earlier in accordance with the terms of the ESOP).

5. Representing approximately 0.96% of the total issued Shares as of the beginning of and the end of the Reporting Period, and as of the date of this report, respectively.

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 report, a total of 19,504,576 Management Options had lapsed in accordance with the terms of the ESOP. 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 the date of this report. No option has been exercised under the ESOP up to the date of this report.

## SHARE SCHEMES (continued)

### 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.

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.

## SHARE SCHEMES (continued)

### B. Share Option Scheme (continued)

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 report.

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.

## SHARE SCHEMES (continued)

### B. Share Option Scheme (continued)

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.

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.

## SHARE SCHEMES (continued)

## B. Share Option Scheme (continued)

Further information of the outstanding Options under the Share Option Scheme during the Reporting Period is set out below:

Name/category of grantees	Date of grant	Number of options granted	Exercise price <sup>3</sup> (HKD per Share)	Outstanding as of 1 January 2023	During the Reporting Period			Outstanding as of 30 June 2023	Vesting and exercise period
					Exercised (Relevant closing price)	Cancelled	Lapsed		
<b>Directors</b>									
Ho Kuk Sing	22 November 2019	8,000,400	3.042	8,000,400	-	-	-	8,000,400	Note 4
Leung King Sun	22 November 2019	8,000,400	3.042	8,000,400	-	-	-	8,000,400	Note 4
Lin Xianya	22 November 2019	7,333,700	3.042	7,333,700	-	-	-	7,333,700	Note 4
<b>Other employees</b>									
Two of the five highest paid employees, in aggregate (also being senior management of the Company)	22 November 2019	200,010	3.042	200,010	-	-	-	200,010	Note 5
One other senior management	22 November 2019	666,700	3.042	666,700	-	-	-	666,700	Note 5
Other employees, in aggregate	22 November 2019	866,710	3.042	866,710	-	-	-	866,710	Note 5
<b>Total</b>				<b>25,067,920<sup>6</sup></b>				<b>25,067,920<sup>6</sup></b>	

## SHARE SCHEMES (continued)

### B. Share Option Scheme (continued)

Notes:

1. No Options were granted during the Reporting Period.

The total number of Shares which may be issued upon exercise of all Options available for grant under the Share Option Scheme was 106,672,000 Shares as of both the beginning of the Reporting Period and the end of the Reporting Period, representing approximately 7.87% of the total issued Shares as at the relevant time, respectively. There has been no change after the Reporting Period and up to the date of this report in this regard.

2. A consideration of HK\$1 was payable by each grantee upon acceptance of the Option.
3. The exercise price of HK\$3.042 per Share represents the higher of: (i) the closing price of HK\$3.04 per Share as stated in the daily quotation sheet of the Stock Exchange on the date of grant; (ii) the average closing price of HK\$3.042 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 US\$0.0005 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 HK\$3.04. Further information about the fair values of the Options granted under the Share Option Scheme during the year of grant (i.e. 2019) is set out in the 2019 annual report of the Company, which is available at the websites of the Stock Exchange and the Company, respectively.
4. These Options were vested on 3 June 2020 (the date on which the grants were approved by the Shareholders at a general meeting). Their exercise period is from 3 June 2020 to 2 June 2025, subject to earlier cancellation, lapse or termination in accordance with the Share Option Scheme.
5. These Options were vested on 22 November 2019 (date of grant). Their exercise period is from 22 November 2019 to 21 November 2024, subject to earlier cancellation, lapse or termination in accordance with the Share Option Scheme.
6. Representing approximately 1.85% of the total issued Shares as of the beginning of the Reporting Period, the end of the Reporting Period, and the date of this report, respectively.

## SHARE SCHEMES (continued)

### 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.

#### *(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 to certain selected employee which will result in the aggregate number of Shares awarded 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.

## SHARE SCHEMES (continued)

## C. Share Award Scheme (continued)

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. Further information of the Awarded Shares during the Reporting Period is set out below:

Name/ category of Grantees	Date of grant (Relevant closing price <sup>3</sup> )	Number of Award Shares	Unvested awards as of 1 January 2023	During the Reporting Period <sup>2</sup>		Unvested awards as of 30 June 2023	Vesting period <sup>4</sup>
				Vested (Relevant closing price)	Cancelled Lapsed		
<b>Employee participants</b>							
Two of the five highest paid employees, in aggregate (also being senior management of the Company)	29 March 2021 (HK\$2.12)	2,902,000	-	-	-	-	Note 4
One other senior management	29 March 2021 (HK\$2.12)	959,000	-	-	-	-	Note 4
In aggregate <sup>5</sup>	29 March 2021 (HK\$2.12)	24,457,000	-	-	-	-	Note 4
<b>Total</b>		<b>28,318,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

## SHARE SCHEMES (continued)

### C. Share Award Scheme (continued)

Notes:

1. As of 30 June 2023, 2,711,000 Shares were held by the Trustee in trust under the Share Award Scheme (including 155,000 Shares acquired on-market by the Trustee at an aggregate consideration of approximately HKD304,000 during the Reporting Period, and excluding Shares vested but not yet transferred to the grantees).

During the Reporting Period, no Awarded Shares were granted or issued.

The number of Awarded Shares available for grant under the Share Award Scheme was 107,141,000 Shares (representing approximately 7.91% of the total issued Shares) as of the beginning of the Reporting Period and as of the end of the Reporting Period, respectively. There has been no change after the Reporting Period and up to the date of this report in this regard.

2. Grantees were not required to pay any application/acceptance amount, purchase price or exercise price for the Awarded Shares under the Share Award Scheme.
3. Represents the closing price per Share as quoted on the Stock Exchange immediately before the date on which the Awarded Shares were granted.
4. The Board resolved on 15 December 2020 to allot and issue 30,000,000 new Awarded Shares to the Trustee under the general mandate. 30,000,000 Awarded Shares were granted to 405 selected employees (who are all employees of the Company or its subsidiaries) at nil consideration on 29 March 2021, with a vesting period from the date of grant to 1 April 2022. The Awarded Shares were issued at its nominal value of US\$0.0005 per Share, and the total subscription price of USD15,000 (being the aggregate nominal value of the Awarded Shares) was paid by the Company. These Awarded Shares were allotted to the Trustee on 20 April 2021. All the outstanding Awarded Shares were vested on 1 April 2022 in a single tranche according to the terms of grant. The grant and vesting of these Awarded Shares were not subject to any performance target.
5. None of these employees were connected person, senior management, related entity participant or service provider of the Company. None of them has options and awards granted and to be granted in excess of 1% of the total issued Shares.

No grants were made under the above share schemes of the Company during the Reporting Period.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

## DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code regarding Directors' securities transactions.

Specific enquiry has been made of all the Directors and each Director has confirmed that he/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.

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 and the interim results for the Reporting Period has been reviewed by 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

### *Change in Board composition*

With effect from 17 August 2023, Mr. Sun Tao has been appointed as a non-executive Director and Mr. Chan Kwok King, Kingsley has ceased to be a non-executive Director. Please refer to the Company’s announcement dated 17 August 2023.

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

## INTERIM DIVIDEND

The Board resolved to declare the payment of an interim dividend of HK2.970 cents per Share for the Reporting Period (for the six months ended 30 June 2022: HK2.729 cents). The interim dividend will be paid to the Shareholders whose names appear on the register of members of the Company on the close of business on the record date (i.e., 5 September 2023 (Tuesday)). The above-mentioned interim dividend is expected to be payable on 13 September 2023 (Wednesday).

## OTHER INFORMATION (CONTINUED)

The payment of interim dividend, which totals approximately HKD40,231 thousand, is expected to result in an appropriation of approximately RMB37,009 thousand. 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.

## CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed above and in the Company's 2022 annual report, 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 2023 and up to the date of this report.

## DISCLOSURE OF INFORMATION

This interim report containing 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>).

This report contains certain forward-looking statements that reflect the Company's beliefs, plans or expectations about the future. These statements are based on a number of assumptions, current estimates and projections, and subject to inherent risks, uncertainties and other factors which may or may not be beyond the Company's control. The actual outcomes may differ. Nothing contained in these statements is, or shall be, relied upon as any assurance, representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update, supplement, correct these statements or adapt them to future events.

Certain figures in this report have been subject to rounding adjustments.

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

Hong Kong, 18 August 2023