



# 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

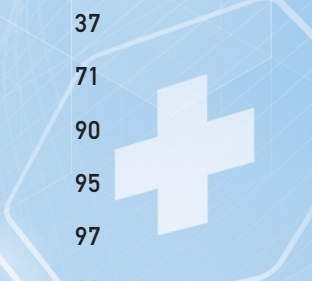
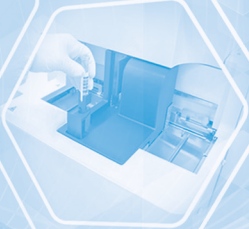


# 2023

ANNUAL 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. Liu Fei

#### 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

### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

Room 602, Building 6

Lane 299, Bisheng Road

Zhangjiang Hi-Tech Park

Pudong New Area District

Shanghai

China

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1703

Grandtech Centre

8 On Ping Street

Sha Tin

Hong Kong

Corporate information as of 15 March 2024, being the date of this annual report



## CORPORATE INFORMATION

### 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  
Units 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

	For the year ended 31 December		
	2023	2022	Change
	RMB'000	RMB'000	%
Revenue	<b>3,088,387</b>	2,748,809	12.4%
Gross profit	<b>671,701</b>	608,141	10.5%
Profit for the year	<b>237,126</b>	195,530	21.3%
Profit attributable to owners of the parent	<b>238,163</b>	209,999	13.4%
Adjusted profit for the year ( <i>Note</i> )	<b>262,124</b>	224,052	17.0%
Adjusted profit attributable to owners of the parent ( <i>Note</i> )	<b>263,161</b>	228,504	15.2%
<b>Earnings per share</b>			
Basic (RMB cents)	<b>17.62</b>	15.61	2.01
Diluted (RMB cents)	<b>17.62</b>	15.50	2.12

For the year ended 31 December 2023 (the “**Reporting Period**”), IVD Medical Holding Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) achieved a revenue of RMB3,088,387 thousand, which represented an increase of 12.4% as compared to the year ended 31 December 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 recovery of coronavirus disease (“**COVID-19**”).

Profit of the Group for the Reporting Period recorded an increase of 21.3% as compared to the year ended 31 December 2022. Such increase was primarily attributable to (i) increase in revenue; (ii) absence of expenses in relation to employee share-based compensation benefits under a share award scheme adopted by the Company on 19 May 2020 (the “**Share Award Scheme**”) during the Reporting Period (2022: RMB11,993 thousand); and (iii) absence of impairment of property, plant and equipment and intangible assets during the Reporting Period (2022: RMB20,443 thousand). The directors of the Company (the “**Directors**”) have resolved to recommend the payment of a final dividend of HK6.209 cents per share for the Reporting Period.

*Note:* Adjusted profit for the year and adjusted profit attributable to owners of the parent are non-GAAP financial measures. Adjusted profit for the year and adjusted profit attributable to owners of the parent are used to excluding certain impact of non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, with the intent to provide shareholders of the Company and potential investors with supplementary information to assess the performance of the Group’s core operations. See also “Adjusted profit for the year” in the Management Discussion and Analysis section for the basis of calculation of, and more information about these measures.

## CHAIRMAN'S STATEMENT

### DEAR SHAREHOLDERS,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of the Company, I am pleased to present to you the annual report of the Company for the year ended 31 December 2023.

### REVIEW

During the Reporting Period, the Group recorded a revenue of RMB3,088,387 thousand, representing an increase of 12.4% as compared to the corresponding period of 2022. The Group's profit for the year recorded an increase of 21.3% and amounted to RMB237,126 thousand. Such increase was primarily attributable to (i) increase in revenue; (ii) absence of expenses in relation to employee share-based compensation benefits under a Share Award Scheme during the Reporting Period (2022: RMB11,993 thousand); and (iii) absence of impairment of property, plant and equipment and intangible assets during the Reporting Period (2022: RMB20,443 thousand).

During the Reporting Period, the Group recorded adjusted profit for the year of RMB262,124 thousand, representing an increase of RMB38,072 thousand or 17.0% as compared to the corresponding period of 2022. The adjusted profit attributable to owners of the parent of the Group increased by 15.2% to RMB263,161 thousand compared to RMB228,504 thousand for the year ended 31 December 2022.

- Highlights of 2023

#### *Develop the “IVD Ecosphere” project*

The Group has expanded its product portfolio to all main product categories by the project “IVD Ecosphere” project which began in December 2019. The product portfolio of the Group now covers over five hundred products from 20 local IVD manufacturers with independent intellectual property rights and 6 well-known foreign IVD manufacturers. The Group was still expanding the product portfolio continuously by establishing and maintaining relationship with well-known IVD manufacturers and suppliers.

The Group emphasizes on the product categories of Point-of-care testing (“**POCT**”) and precise diagnosis which can be divided into Molecular Diagnostics, Microbiological, and Mass Spectrometry.

In prior years, the Group acquired two local IVD research and development (“**R&D**”) and manufacturing companies with intellectual property on mass spectrometry and microbiological sample pre-treatment. The Group also set up an IVD R&D and manufacturing company as an associate company focusing on the reagents for molecular diagnostics with cooperation of iCarbonX.

The Group is seeking to expand the portfolio “IVD Ecosphere” and will consider further investment opportunities of local IVD manufacturers of research centers with high technique and innovation ability.

## CHAIRMAN'S STATEMENT

### *Renewal of distribution agreement with Sysmex*

Having worked together for 26 years, Vastec Medical Equipment (Shanghai) Co., Ltd. ("**Vastec**") and Sysmex Shanghai Ltd. both agreed to enhance the parties' cooperation in order to better tackle market changes in the future, and entered into certain agreements (the "**Strategic Cooperation Agreements**") during the Reporting Period, under which the parties agreed to amend Vastec's distribution right, and to cooperate in relation to the shareholding structure of Vastec. In particular, Vastec's distribution right to distribute Sysmex's haemostasis products in designated areas in China has been amended from a specified period right to a long-term right. Pursuant to these Strategic Cooperation Agreements, Sysmex Shanghai Ltd. has made a capital injection to, and has become a shareholder of, Vastec.

As the sole distributor of Sysmex haemostasis products in Chinese Mainland, Vastec maintains close business relationships with hospitals and healthcare institutions and have advantages in current pharmaceutical supervision system with unstable policies. Vastec was free from the impact of policies implemented in pharmaceutical and medical consumables circulation such as "two invoice system" and "centralized procurement system" for the Reporting Period.

## CHAIRMAN'S STATEMENT

- Core Business Data

### *Distribution Business and After-sales Service*

The distribution of IVD products forms the cornerstone of the Group's business. As of 31 December 2023, 6,920 haemostasis analysers manufactured by Sysmex Corporation ("Sysmex") have been installed by the Group and in use at hospitals and healthcare institutions accumulatively.

In 2023, the Group's product portfolio was expanded by Vastec's provision of 4 Thrombotic Markers (*Note 1*) to the market. As of 31 December 2023, 106 Sysmex haemostasis immunoassay analysers installed by the Group at the hospitals and healthcare institutions in the PRC performed the 4 Thrombotic Markers.

In 2023, the Group provided solution services to seven Class III hospitals in the PRC. Solution services contributed revenue of RMB241,944 thousand for the Reporting Period, representing an increase of 17.8% as compared to RMB205,406 thousand for the year ended 31 December 2022.

As of 31 December 2023, the Group had 332 direct customers, including hospitals and healthcare institutions, and 1,164 distributors in its established distribution network. As of 31 December 2023, the Group also covered 1,616 Class III hospitals mainly through its sub-distribution networks in the PRC, which further enhanced the competitiveness of the Group.

Apart from distributing IVD products in the PRC, the Group also derived its revenue from providing after-sales services to end customers of Sysmex haemostasis analysers in the PRC. During the Reporting Period, the after-sales services business has been sustainably and steadily developing.

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



## CHAIRMAN'S STATEMENT

### OUTLOOK AND FUTURE PLAN

The Group expects there will be significant growth potential for the healthcare and medical device market, especially the IVD market in the PRC with the aggravating trend of ageing population, the growth of medical expenses per capita and the progress of technology development. According to Frost & Sullivan, by 2027, 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. Import substitution and localisation is a significant trend in IVD market, which will bring great opportunities to local manufacturers.

The Board is confident on the growth of the Group's business performance riding on the growth of IVD market in the PRC in future years.

To meet the aforementioned trend, the Group will continue to grow and expand its operations in the PRC through the following business strategies and plans:

- Expand product portfolio, 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, entering various market sectors, and expanding the breadth of its distribution network and hospital coverage. In December 2019, the Group launched the “IVD Ecosphere” project under which the Group has established strategic partnerships with leading IVD manufacturers with proprietary technology. Currently, the product portfolio of the Group covers all main product categories with over five hundred products from 20 local IVD manufacturers with independent intellectual property rights and 6 well-known foreign IVD manufacturers. The Group is still expanding the product portfolio continuously by establishing and maintaining relationship with well-known IVD manufacturers and suppliers. The involvement of the Group could help these manufacturers to expand their sales network by using the Group's self-established nationwide network, which is normally the competitive weakness of local manufacturers.

- Continue to develop the distribution business by enhancing the Group's capacity in providing solution services

To capture the aforementioned trends and opportunities, the Group intends to provide solution services to at least two new hospitals in 2024.

## CHAIRMAN'S STATEMENT

- Further improve its R&D capabilities and accelerate the expansion by both endogenous growth as well as mergers and acquisitions

The Group has begun its R&D business since 2010 with approximately 14 years' experience up to now. In 2024, the Group intends to increase in investment in (i) the research of reagent for mass spectrometry and analysers for microbiology by the acquired companies; and (ii) the research of molecular diagnostics in set-up company with cooperation of iCarbonX by upgrading its current R&D facilities and recruiting research scientists.

In addition to the endogenous growth in R&D, the Group will continue to search and invest on high calibre manufacturers or research centers that can meet the demand of medical services in the PRC.

### DIVIDEND

In view of the operating results in 2023, the Board recommends a final dividend in a total amount of RMB76,314 thousand or HK6.209 cents per ordinary share of the Company ("**Share**") for the Reporting Period in recognition of the Shareholders' support.

### APPRECIATION

I would like to express my sincere gratitude on behalf of the Board to the Shareholders, customers, and strategic partners for their trust and support to the Company, and my heartfelt thanks to the management team and staff for their hard work.

**Ho Kuk Sing**  
*Chairman*

Hong Kong, 15 March 2024

# 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 is 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 RMB3,088,387 thousand, representing an increase of 12.4% as compared to the corresponding period of 2022. The Group's profit for the year increased by 21.3% to RMB237,126 thousand for the Reporting Period.

## BUSINESS SEGMENTS

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

- Distribution Business

The distribution of IVD products forms the cornerstone of the Group's business. It primarily involves the trading of IVD analysers, reagents and other consumables to customers such as distributors, hospitals and healthcare institutions and logistics providers. The Group's distribution of IVD products was primarily conducted through Vastec, a subsidiary of the Company. Vastec is primarily engaged in the distribution of Sysmex haemostasis products in the PRC, it has been the sole national distributor of Sysmex haemostasis products with exclusive distribution rights in the PRC since 1997. It also procures a diversified portfolio of IVD products from other leading international brands for distribution in the PRC. As of 31 December 2023, approximately 6,920 of Sysmex haemostasis analysers have been installed by the Group and in use at hospitals and healthcare institutions accumulatively.

Having worked together for 26 years, Vastec and Sysmex Shanghai Ltd. both agreed to enhance the parties' cooperation in order to better tackle market changes in the future, and entered into the Strategic Cooperation Agreements during the Reporting Period, under which the parties agreed to amend Vastec's distribution right, and to cooperate in relation to the shareholding structure of Vastec. In particular, Vastec's distribution right to distribute Sysmex's haemostasis products in designated areas in China has been amended from a specified period right to a long-term right. Pursuant to these Strategic Cooperation Agreements, Sysmex Shanghai Ltd. has made a capital injection to, and has become a shareholder of, Vastec.

The Group also provides 4 Thrombotic Markers products manufactured by Sysmex to the market. These products adopt high sensitive chemiluminescence technology, which may facilitate early diagnosis of thrombosis and fibrinolysis. As of 31 December 2023, 106 Sysmex haemostasis immunoassay analysers which performed the 4 Thrombotic Markers have been installed by the Group at the hospitals and healthcare institutions in the PRC.

## MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Group provides solution services to the clinical laboratories of hospitals. This has enabled the Group to establish and maintain direct relationships with local medical practitioners so as to keep the Group close to the frontline of the medical practice and the market demand of IVD products. In 2023, the Group provided solution services to seven Class III hospitals in the PRC. Solution services contributed revenue of RMB241,944 thousand for the year ended 31 December 2023, representing an increase of 17.8% as compared to RMB205,406 thousand for the year ended 31 December 2022.

Through years of operations, the Group has established an expansive distribution network across 31 provinces, municipalities and autonomous regions in the PRC with an extensive hospital coverage. As of 31 December 2023, the Group had 332 direct customers, including hospitals and healthcare institutions, and 1,164 distributors in its established distribution network. As of 31 December 2023, the Group also covered 1,616 Class III hospitals mainly through its sub-distribution networks in the PRC, which further enhanced the competitiveness of the Group.

- After-sales Services

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

- Self-branded Products Business

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

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

According to Frost & Sullivan, by 2027, the PRC IVD market at ex-factory price level is projected to reach RMB278.7 billion with a CAGR of 15.7% during 2021 to 2027. In the future, the IVD market in the PRC 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. Immunoassay, clinical chemistry, haematology and body fluid analysis are the top three categories with the broadest clinical application. According to Frost & Sullivan, haematology and body fluid test includes haemostasis analysis and urinalysis had a market share of approximately 15.9% in Chinese Mainland in 2021 at ex-factory price level.

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OUTLOOK AND DEVELOPMENT STRATEGIES

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

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

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Overview

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

During the Reporting Period, the Group recorded revenue of RMB3,088,387 thousand, representing an increase of RMB339,578 thousand or 12.4% as compared to the corresponding period of 2022.

During the Reporting Period, the Group recorded a net profit for the year of RMB237,126 thousand, representing an increase of RMB41,596 thousand or 21.3% as compared to the corresponding period of 2022. Profit attributable to owners of the parent amounted to RMB238,163 thousand, representing an increase of RMB28,164 thousand or 13.4% as compared to the corresponding period of 2022.

During the Reporting Period, the Group recorded non-GAAP adjusted profit for the year of RMB262,124 thousand, representing an increase of RMB38,072 thousand or 17.0% as compared to the corresponding period of 2022.

	For the year ended 31 December		Change %
	2023 RMB'000	2022 RMB'000	
<b>Operating Results</b>			
Revenue	<b>3,088,387</b>	2,748,809	12.4%
Gross Profit	<b>671,701</b>	608,141	10.5%
Earnings before interest and depreciation and amortization (EBITDA)	<b>397,928</b>	349,658	13.8%
Profit attributable to owners of the parent	<b>238,163</b>	209,999	13.4%
Adjusted profit for the year ( <i>Note 1</i> )	<b>262,124</b>	224,052	17.0%
Adjusted profit attributable to owners of the parent ( <i>Note 1</i> )	<b>263,161</b>	228,504	15.2%

## MANAGEMENT DISCUSSION AND ANALYSIS

	For the year ended 31 December		
	2023	2022	Change
<b>Financial Ratios</b>			
Gross profit margin (%) (Note 2)	<b>21.7%</b>	22.1%	decreased by 0.4 percentage point
Net profit margin (%) (Note 2)	<b>7.7%</b>	7.1%	increased by 0.6 percentage point
Adjusted profit for the year margin (%) (Note 3)	<b>8.5%</b>	8.2%	increased by 0.3 percentage point
Return on assets (%) (Note 2)	<b>5.2%</b>	4.5%	increased by 0.7 percentage point
Return on equity (%) (Note 2)	<b>7.3%</b>	6.8%	increased by 0.5 percentage point
<hr/>			
Average turnover days of trade receivables (days) (Note 2)	<b>65</b>	74	(9)
Average turnover days of inventories (days) (Note 2)	<b>131</b>	111	20
Average turnover days of trade payables (days) (Note 2)	<b>63</b>	70	(7)

	31 December		
	2023 RMB'000	2022 RMB'000	Change %
<b>Financial Position</b>			
Total assets	<b>4,785,052</b>	4,314,277	10.9%
Equity attributable to owners of the parent	<b>3,344,935</b>	3,153,386	6.1%
Cash and cash equivalents	<b>1,224,786</b>	1,020,626	20.0%

<b>Financial Ratios</b>			
Current ratio (times) (Note 2)	<b>2.5</b>	2.6	(0.1)
Quick ratio (times) (Note 2)	<b>1.6</b>	2.0	(0.4)
Debt to equity ratio (times) (Note 2)	<b>0.1</b>	0.1	–

*Note 1:* Adjusted profit for the year and adjusted profit attributable to owners of the parent are non-GAAP financial measures. See also the paragraph headed “Adjusted profit for the year” below for the basis of calculation about these 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Average turnover days of 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 365 days.

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

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

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

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

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

### REVENUE

Revenue of the Group amounted to RMB3,088,387 thousand for the Reporting Period, representing an increase of 12.4% as compared to RMB2,748,809 thousand for the year ended 31 December 2022. Such increase was primarily due to the increase in end customers' demand of IVD products, as the operation of hospitals resumed to normal from gradual recovery of COVID-19.

#### Revenue by business segment

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

Business segment	For the year ended 31 December				Change
	2023		2022		
	RMB'000	% of total	RMB'000	% of total	
Distribution business	2,898,390	93.9	2,575,382	93.7	12.5%
After-sales services	179,374	5.8	167,169	6.1	7.3%
Self-branded products business	10,623	0.3	6,258	0.2	69.8%
<b>Total</b>	<b>3,088,387</b>	<b>100.0</b>	<b>2,748,809</b>	<b>100.0</b>	<b>12.4%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue by product type

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

Product type	For the year ended 31 December				Change
	2023		2022		
	RMB'000	% of total	RMB'000	% of total	
IVD analysers					
– Distribution business	330,517	11.3	360,620	13.9	(8.3%)
– Self-branded products business	1,868	0.1	1,632	0.1	14.5%
Subtotal	332,385	11.4	362,252	14.0	(8.2%)
IVD reagents and other consumables					
– Distribution business	2,567,873	88.3	2,214,762	85.8	15.9%
– Self-branded products business	8,755	0.3	4,626	0.2	89.3%
Subtotal	2,576,628	88.6	2,219,388	86.0	16.1%
Total	2,909,013	100.0	2,581,640	100.0	12.7%

### Revenue by channel

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

Sales channel	For the year ended 31 December				Change
	2023		2022		
	RMB'000	% of total	RMB'000	% of total	
Distribution business					
– Distributors	2,355,731	80.9	2,171,726	84.1	8.5%
– Hospitals and healthcare institutions	377,043	13.0	282,693	11.0	33.4%
– Logistics providers	165,616	5.7	120,963	4.7	36.9%
Subtotal	2,898,390	99.6	2,575,382	99.8	12.5%
Self-branded products business					
– Distributors	9,130	0.3	6,039	0.2	51.2%
– Hospitals and healthcare institutions	1,493	0.1	219	0.0	581.7%
Subtotal	10,623	0.4	6,258	0.2	69.8%
Total	2,909,013	100.0	2,581,640	100.0	12.7%

## MANAGEMENT DISCUSSION AND ANALYSIS

### Cost of sales

Cost of sales of the Group amounted to RMB2,416,686 thousand for the Reporting Period, representing an increase of 12.9% as compared to RMB2,140,668 thousand for the year ended 31 December 2022. Such increase was primarily due to the increase of sales.

### Cost of sales by business segment

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

Business segment	For the year ended 31 December				Change
	2023		2022		
	RMB'000	% of total	RMB'000	% of total	
Distribution business	2,316,752	95.9	2,067,379	96.6	12.1%
After-sales services	97,140	4.0	70,662	3.3	37.5%
Self-branded products business	2,794	0.1	2,627	0.1	6.4%
Total	2,416,686	100.0	2,140,668	100.0	12.9%

### Cost of sales by product type

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

Product type	For the year ended 31 December				Change
	2023		2022		
	RMB'000	% of total	RMB'000	% of total	
IVD analysers					
– Distribution business	283,454	12.2	294,155	14.2	(3.6%)
– Self-branded products business	836	0.0	1,151	0.0	(27.4%)
Subtotal	284,290	12.2	295,306	14.2	(3.7%)
IVD reagents and other consumables					
– Distribution business	2,033,298	87.7	1,773,224	85.7	14.7%
– Self-branded products business	1,958	0.1	1,476	0.1	32.7%
Subtotal	2,035,256	87.8	1,774,700	85.8	14.7%
Total	2,319,546	100.0	2,070,006	100.0	12.1%

## MANAGEMENT DISCUSSION AND ANALYSIS

### GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit represents revenue less cost of sales. Gross profit of the Group amounted to RMB671,701 thousand for the Reporting Period, representing an increase of 10.5% as compared to RMB608,141 thousand for the year ended 31 December 2022. Such increase was primarily attributable to increase of revenue.

Gross profit margin is calculated as gross profit divided by revenue. Gross profit margin of the Group was 21.7% for the Reporting Period, which decreased from 22.1% for the year ended 31 December 2022. The decrease of gross profit margin was primarily attributable to decrease in sales price of IVD analysers and increase in cost of services 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 years indicated:

Business segment	For the year ended 31 December				Change
	2023		2022		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
Distribution business					
– IVD reagents and other consumables	534,575	20.8	441,538	19.9	21.1%
– IVD analysers	47,063	14.2	66,465	18.4	(29.2%)
Subtotal	581,638	20.1	508,003	19.7	14.5%
After-sales services	82,234	45.8	96,507	57.7	(14.8%)
Self-branded products business					
– IVD reagents and other consumables	6,797	77.6	3,150	68.1	115.8%
– IVD analysers	1,032	55.2	481	29.5	114.6%
Subtotal	7,829	73.7	3,631	58.0	115.6%
Total	671,701	21.7	608,141	22.1	10.5%



## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Product type	For the year ended 31 December				Change
	2023		2022		
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %	
IVD analysers					
– Distribution business	<b>47,063</b>	<b>14.2</b>	66,465	18.4	(29.2%)
– Self-branded products business	<b>1,032</b>	<b>55.2</b>	481	29.5	114.6%
Subtotal	<b>48,095</b>	<b>14.5</b>	66,946	18.5	(28.2%)
IVD reagents and other consumables					
– Distribution business	<b>534,575</b>	<b>20.8</b>	441,538	19.9	21.1%
– Self-branded products business	<b>6,797</b>	<b>77.6</b>	3,150	68.1	115.8%
Subtotal	<b>541,372</b>	<b>21.0</b>	444,688	20.0	21.7%
Total	<b>589,467</b>	<b>20.3</b>	511,634	19.8	15.2%

## MANAGEMENT DISCUSSION AND ANALYSIS

### OTHER INCOME AND GAINS

Other income and gains of the Group amounted to RMB29,131 thousand for the Reporting Period, representing an increase of 12.0% as compared to RMB26,016 thousand for the year ended 31 December 2022. Such increase was primarily due to the foreign exchange gain, which is partially offset by the decrease in government subsidies received.

	<b>For the year ended 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Other income</b>		
Bank interest income	<b>2,910</b>	1,972
Rental income	<b>301</b>	629
Government subsidies	<b>15,996</b>	23,186
Others	<b>576</b>	147
<b>Total other income</b>	<b>19,783</b>	25,934
<b>Gains</b>		
Gain on termination/modification of lease contracts	<b>7</b>	82
Gain on disposal of items of property, plant and equipment, net	<b>141</b>	–
Foreign exchange differences, net	<b>9,200</b>	–
<b>Total gains</b>	<b>9,348</b>	82
<b>Total other income and gains</b>	<b>29,131</b>	26,016

## MANAGEMENT DISCUSSION AND ANALYSIS

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group amounted to RMB136,313 thousand for the Reporting Period, representing an increase of 16.3% as compared to RMB117,239 thousand for the year ended 31 December 2022. Such increase was due to the increase of marketing activities after the impact of COVID-19 diminished.

### ADMINISTRATIVE EXPENSES

Administrative expenses of the Group amounted to RMB159,980 thousand for the Reporting Period, representing an increase of 4.6% as compared to RMB152,917 thousand for the year ended 31 December 2022. Such increase was primarily due to the increase of business activities after impact of COVID-19 diminished.

### OTHER EXPENSES

Other expenses of the Group amounted to RMB1,838 thousand for the Reporting Period, representing a decrease of 95.2% as compared to RMB38,278 thousand for the year ended 31 December 2022. Such significant decrease was primarily due to the absence of impairment loss of property, plant and equipment and intangible assets and exchange loss during the Reporting Period.

	For the year ended 31 December	
	2023 RMB'000	2022 RMB'000
Foreign exchange differences, net	–	10,335
Impairment of intangible assets	–	16,901
Impairment of property, plant and equipment	–	3,542
Loss on deregistration of a subsidiary	<b>1,838</b>	–
Write-off of prepayments	–	7,495
Loss on disposal of items of property, plant and equipment	–	5
	<b>1,838</b>	38,278

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCE COSTS

Finance costs of the Group amounted to RMB21,040 thousand for the Reporting Period, representing a decrease of 31.2% as compared to RMB30,580 thousand for the year ended 31 December 2022. Such decrease was primarily due to the decrease in average bank borrowing amount during the Reporting Period.

### PROFIT FOR THE YEAR

Profit of the Group for the year amounted to RMB237,126 thousand for the Reporting Period, representing an increase of 21.3% as compared to RMB195,530 thousand for the year ended 31 December 2022. Such increase was primarily attributable to (i) increase in revenue; and (ii) absence of expenses in relation to employee share-based compensation benefits under the Share Award Scheme during the Reporting Period (2022: RMB11,993 thousand); and (iii) absence of impairment of property, plant and equipment and intangible assets during the Reporting Period (2022: RMB20,443 thousand).

### Adjusted profit for the year

Adjusted profit of the Group is a non-GAAP financial measure used to excluding certain impact of non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, with the intent to provide the shareholders of the Company (the “**Shareholders**”) and potential investors with supplementary information to assess the performance of the Group’s core operations. Adjusted profit for the year is calculated by deducting the items listed below from the profit for the year (namely, fair value loss on financial assets at fair value through profit or loss, share of loss/(profit) of a joint venture, impairment loss of property, plant and equipment and intangible assets, employee share-based compensation benefits under the Share Award Scheme, tax effects related to employee share-based compensation benefits under the Share Award Scheme, and deferred tax on fair value adjustments of equity investments at fair value through profit or loss). Adjusted profit of the Group for the year amounted to RMB262,124 thousand for the Reporting Period, representing an increase of 17.0% as compared to RMB224,052 thousand for the year ended 31 December 2022. Such increase was primarily attributable to the increase in end customers’ demand of IVD products as the operation of hospitals resumed to normal from the gradual recovery of COVID-19 for the Reporting Period.



## MANAGEMENT DISCUSSION AND ANALYSIS

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Profit for the year	<b>237,126</b>	195,530
Adjusted for non-operating items:		
Fair value loss on financial assets at fair value through profit or loss	<b>20,631</b>	11,455
Share of loss/(profit) of a joint venture	<b>5,822</b>	(2,300)
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	–	(13,644)
Deferred tax on fair value adjustments of equity investments at fair value through profit or loss	<b>(1,455)</b>	575
Impairment of property, plant and equipment	–	3,542
Impairment of intangible assets	–	16,901
Adjusted profit for the year (non-GAAP)	<b>262,124</b>	224,052

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

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

\*\*\* Items marked "-" were not applicable/nil for the Reporting Period.

### LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2023, the Group had cash and cash equivalents of RMB1,224,786 thousand (primarily denominated in HK\$, RMB and US\$), 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 31 December 2023, the Group's total equity attributable to owners of the parent was RMB3,344,935 thousand (31 December 2022: RMB3,153,386 thousand), comprising share capital of RMB4,637 thousand (31 December 2022: RMB4,637 thousand) and reserves of RMB3,340,298 thousand (31 December 2022: RMB3,148,749 thousand).

## MANAGEMENT DISCUSSION AND ANALYSIS

### NET CURRENT ASSETS

The Group had net current assets of RMB1,783,091 thousand as of 31 December 2023, representing an increase of RMB253,617 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. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

### FOREIGN CURRENCY RISK

The Group faces transactional currency exposures arising from bank deposits held by operating units in currencies other than the units' functional currency. The currencies giving rise to such risk are primarily US\$ and HK\$. For the Reporting Period, the Group recorded a net foreign exchange gain of RMB9,200 thousand, as compared to a net exchange loss of RMB10,335 thousand for the year ended 31 December 2022. As of 31 December 2023, the Group did not have any significant hedging arrangements to manage foreign exchange risks but has been actively monitoring and overseeing its foreign exchange risks.

### MATERIAL ASSET VALUATION

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

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 approximately RMB40,508 thousand, which was primarily used in purchase of property, plant and equipment.

### CHARGE/PLEDGE OF ASSETS

As of 31 December 2023, the Group's bank deposits of approximately RMB72,975 thousand were pledged to secure the Group's letters of credit in the aggregate amount of RMB353,055 thousand.

### BORROWINGS

The Group had bank borrowings of RMB319,896 thousand as of 31 December 2023 denominated in RMB, which bore interest at fixed rates. All of the Group's bank borrowings as of 31 December 2023 were repayable on or before 31 December 2024.

### CONTINGENT LIABILITIES AND GUARANTEES

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

### GEARING RATIO

As of 31 December 2023, the Group's gearing ratio, which is equivalent to total debt divided by total assets, was approximately 6.7% (as of 31 December 2022: 7.6%).

### SIGNIFICANT INVESTMENTS

As of 31 December 2023, the Group did not hold any significant investments in equity interests of other companies.

### CAPITAL COMMITMENT AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of 31 December 2023, the Group had a capital commitment to a joint venture of RMB29,829 thousand (as of 31 December 2022: RMB30,401 thousand).

As of 31 December 2023, the Group did not have any future plan for material investments and capital assets authorised by the Board.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2023, the Group had 803 employees (as of 31 December 2022: 755 employees). Total staff remuneration expenses, including remuneration for Directors, for the Reporting Period amounted to RMB183,869 thousand (for the year ended 31 December 2022: RMB177,517 thousand).

The Group has adopted a performance-based remuneration policy for its employees. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and to the Group's operating results and comparable market practices. In addition to salary payments, other staff benefits include pension, social insurance and housing provident contribution, performance-based compensation, bonus, share incentives through share schemes adopted by the Company. No share options or awarded shares were granted in the Reporting Period. See "Report of the Directors – Share Schemes" for more information about these share schemes.

The Group also places significant emphasis on staff training and development. See also "Report of the Directors – Employees".

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

The Group did not conduct any material acquisition or disposal of subsidiaries, associates or joint ventures during the Reporting Period except as referred to in this annual report.

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering of the Company were approximately HK\$902.9 million. All net proceeds have been fully utilised in accordance with the purposes set out in the Prospectus and within the expected timeframe, by the end of the Reporting Period as set out below:

Planned use of proceeds as stated in the Prospectus	Percentage as to the total amount %	Amount HK\$ million	Actual use of proceeds up to 31 December 2023 HK\$ million	Balance as of 31 December 2023 HK\$ million
Settling the outstanding balance of the cash consideration for the acquisition of 60% equity interest in Vastec	51.1	461.7	461.7	–
Paying part of the special dividend	34.0	306.8	306.8	–
Expanding customer base under distribution business	5.8	52.4	52.4	–
Continuing research and development of self-branded products	3.0	26.8	26.8	–
Expanding distribution business and improving distribution value chain	2.2	19.8	19.8	–
Using as working capital and for general corporate purpose	3.9	35.4	35.4	–
<b>Total</b>	<b>100.0</b>	<b>902.9</b>	<b>902.9</b>	<b>–</b>

*Note:* The actual net proceeds received by the Company was approximately HK\$902.9 million, compared to the estimated amount of HK\$1,030.9 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.

At the beginning of the Reporting Period, balance of proceeds was HK\$1.3 million (for continuing research and development of self-branded products).



## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### Executive Directors



**Mr. Ho Kuk Sing (何鞠誠)**, aged 65, is the chairman of the Board (the “Chairman” or “Mr. Ho”), the Chief Executive Officer of the Company and an executive Director. He is primarily responsible for the overall strategic planning and development of the Group. He was appointed as a Director on 27 May 2016 and was designated as the Chairman, the Chief Executive Officer of the Company and an executive Director on 21 June 2019.

Mr. Ho is one of the founders of the Group and has over 36 years of experience in the IVD industry. He is currently a director of various subsidiaries of the Company and the chairman of the Nomination Committee. He founded Vastec in August 1993 and has been the chief executive officer of Vastec since May 1995. Prior to joining the Group, Mr. Ho worked as a technical specialist, a technology and marketing manager and a marketing and business manager in Instrumentation Laboratory (Far East) Ltd. (merged with Coulter Electronics (Hong Kong) Ltd. in November 1992), a company principally engaged in the development, manufacturing and distribution of IVD products, from January 1985 to December 1987, from December 1987 to January 1992 and from January 1992 to October 1992, respectively. He served in various positions including a marketing manager and a regional business manager in Coulter Electronics (Hong Kong) Ltd. from November 1992 to February 1995.

Mr. Ho obtained a master’s degree in Philosophy from The University of Hong Kong in 1988. He obtained a bachelor’s degree in Science from The University of Hong Kong in 1982.



**Mr. Leung King Sun (梁景新)**, aged 66, is the Chief Operating Officer of the Company and an executive Director primarily responsible for the overall management and operations of the Group, including management of capital, finance and logistics, customer services, human resources and administrative matters of the Group. He was appointed as a Director on 27 May 2016 and was designated as the Chief Operating Officer of the Company and an executive Director on 21 June 2019.

Mr. Leung is one of the founders of the Group and has over 28 years of experience in the IVD industry. He is currently a director of various subsidiaries of the Company and a member of the Remuneration Committee. He founded Vastec in August 1993 and has been the chief operating officer of Vastec since May 1995.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT



Mr. Leung obtained a Master of Business Administration (MBA) from Oklahoma City University in 1992. He obtained a bachelor's degree in Science from The University of Hong Kong in 1981.

**Mr. Lin Xianya (林賢雅)**, aged 48, is the General Manager of the Company and an executive Director primarily responsible for overseeing the business development of the Group. He joined the Group in 2000, and was appointed as a Director on 15 January 2016 and was designated as the General Manager of the Company and an executive Director on 21 June 2019.

Mr. Lin has over 22 years of experience in the IVD industry. He founded Dacheng Medical Equipments (Shanghai) Co., Ltd. ("**Dacheng**") in February 2011 and has been the general manager of Dacheng since April 2011. He also serves as a director of IVD International Limited. Prior to establishing Dacheng in February 2011, Mr. Lin worked in Vastec as a sales manager from February 2000 to January 2008 and as a sales director from January 2008 to March 2011, during which time he was primarily responsible for sales management.

Mr. Lin obtained a Master of Business Administration (MBA) specialising in sales and management from Fudan University in 2009. He obtained a bachelor's degree in Medical Laboratory from the School of Medicine of Shanghai Jiao Tong University (formerly known as Shanghai Second Medical University\* (上海第二醫科大學)) in September 1999.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### Non-Executive Directors

**Ms. Yao Haiyun (姚海雲)**, aged 48, has been appointed as a non-executive Director primarily responsible for providing advice on strategies to the Group. She joined the Group when she was appointed as a non-executive Director on 19 October 2021.

Ms. Yao has approximately 27 years of experience in finance and accounting work. She entered the finance department of Shinva Medical Instrument Co., Ltd (“**Shinva**”, a controlling shareholder of the Company whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600587)) in 1995. Ms. Yao served various roles in the finance department of Shinva for the approximately 13 years thereafter, participating in the pre-listing process of Shinva, and its post-listing financial compliance process. Through such processes, Ms. Yao accumulated working experiences relating to finance and accounting of listed companies. Ms. Yao served in the finance department of various subsidiaries and related entities of Shinva for over 14 years since 2008. She has been the person-in-charge of finance of Xinhua Surgical Instrument Co., Ltd. (新華手術器械有限公司) from July 2010, person-in-charge of finance of Shandong Shinva United Orthopedic Equipment Co., Ltd. (山東新華聯合骨科器材股份有限公司) from May 2015, and deputy head of finance department of Shandong Shinva Medical Instrument Co., Ltd (山東新華醫療器械股份有限公司) since July 2021. She acted as the person-in-charge of finance of Shinva GE Medical Systems Co., Ltd. (新華通用電氣醫療系統有限公司), and was also the person-in-charge of finance of Shandong Shinva Health Industry Co., Ltd. (山東新華健康產業有限公司), of Zibo Huanuo Health Industry Equity Investment Partnership (Limited Partnership) (淄博華諾健康產業股權投資合夥企業(有限合夥)), of Zibo Huakang Equity Investment Management Co., Ltd. (淄博華康股權投資管理有限公司) concurrently from May 2014 to April 2019. She was also responsible for the finance work related to the initial formation of Karlmed GmbH and Shandong Shinsun Biotechnology Co., Ltd (山東新華普陽生物技術有限公司) from May 2014 to April 2019. Ms. Yao has also been appointed as a director of Vastec and Vastec Medical Limited (both are subsidiaries of the Company).

Ms. Yao graduated from Hefei University of Technology in the PRC, majoring in accounting and statistic, in July 1995. She has been conferred the Intermediate Level of Accounting Speciality by the Ministry of Finance of the PRC in May 2002.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Liu Fei (劉飛)**, aged 37, was appointed as a non-executive Director on 8 March 2024. He is primarily responsible for providing advice on the strategies to the Group.

Mr. Liu has over a decade of working experience in research and development and in management. He joined Shinva in July 2009. He served in different positions in Shinva, including working in the infection control business department from July 2009 to September 2018, as the factory head of the Oral Technology Factory of Shinva from September 2018 to December 2023. Since December 2023, he has been the general manager of the in vitro diagnostics business department of Shinva, the chairman of the board of directors of Changchun Bioxun Biotech Co., Ltd. (長春博迅生物技術有限公司), the chairman of the board of directors and legal representative of Shandong Shinsun Biotechnology Co., Ltd. (山東新華普陽生物技術有限公司), and a director of Beijing Wetech Biological and Technological Co., Ltd. (北京威泰科生物技術有限公司).

Mr. Liu graduated from Qingdao University of Technology in China in June 2009, majoring in mechanical design, manufacturing and automation. He obtained the qualification of senior engineer in China in March 2021.

### Independent Non-Executive Directors

**Mr. Lau Siu Ki (劉紹基)**, aged 65, was appointed as an independent non-executive Director on 21 June 2019. He is responsible for overseeing the management of the Group independently. He is the chairman of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee.



## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau has over 25 years of experience in providing advisory services on finance and accounting, company secretarial and corporate governance to listed and unlisted companies in Hong Kong. He worked in Ernst & Young, an international accounting firm, from 1981 to 1997. He has acted as a director of Hin Yan Consultants Limited since 1999, for which Mr. Lau provides financial and corporate secretarial advisory services. Mr. Lau currently holds various positions in the following companies listed on the Main Board or GEM of the Stock Exchange:

Company name	Stock code	Appointment date	Role
FIH Mobile Limited	2038	December 2004	Independent non-executive director
Samson Holding Ltd.	531	October 2005	Independent non-executive director
Embry Holdings Limited	1388	November 2006	Independent non-executive director
Binhai Investment Company Limited	2886	March 2009	Independent non-executive director
TCL Electronics Holdings Limited	1070	November 2017	Independent non-executive director
Yeebo (International Holdings) Limited	259	May 2004	Company secretary
Hung Fook Tong Group Holdings Limited	1446	May 2015	Company secretary
Expert Systems Holdings Limited	8319	March 2016	Company secretary

Mr. Lau was an independent non-executive director of Comba Telecom Systems Holdings Limited (a company whose shares are listed on the Stock Exchange (stock code: 2342) and the Singapore stock exchange (stock code: STC)) from June 2003 to December 2023.

Mr. Lau graduated from The Hong Kong Polytechnic (now The Hong Kong Polytechnic University) with a Higher Diploma in Accountancy in November 1981. He has been admitted as a fellow of the Association of Chartered Certified Accountants (“ACCA”) and the Hong Kong Institute of Certified Public Accountants on 1 November 1989 and 15 April 1997, respectively. Mr. Lau was a member of the World Council of ACCA from 2002 to 2011, a member and the president of the committee of the Hong Kong Branch of ACCA from 1995 to 2011 and in 2000/2001, respectively.



## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

**Dr. Zhong Renqian (仲人前)**, aged 61, was appointed as an independent non-executive Director on 21 June 2019. He is responsible for overseeing the management of the Group independently. He is a member of the Audit Committee.

Dr. Zhong is experienced in teaching and medical research in the fields of clinical laboratory and diagnostics. He previously served as the president of the Shanghai Immunology Association\* (上海市免疫學會), the vice president of the Laboratory Medicine Committee of Chinese Research Hospital Association (中國研究型醫院學會), the president of the Laboratory Medicine Committee of Shanghai Medical Association (上海市醫學會檢驗醫學專科分會), the vice president of the Laboratory Medicine Committee of Medical Science and Technology Committee of Chinese Army\* (中國人民解放軍醫學科學技術委員會) and the vice president of the Committee of Tumor Biomarker of Chinese Anti-cancer Association\* (中國抗癌協會腫瘤標誌專業委員會).

Dr. Zhong received his bachelor's degree, master's degree and doctorate degree in Medicine from Second Military Medical University (中國人民解放軍第二軍醫大學) in July 1984, August 1987 and July 1991, respectively. Dr. Zhong held various positions in the Clinical Immunology Research Centre of Shanghai Changzheng Hospital (上海長徵醫院) (also known as the Second Affiliated Hospital of the Second Military Medical University (第二軍醫大學第二附屬醫院)) from July 1991 to July 2017, including as an assistant researcher, associate researcher and director of laboratory diagnostics. He holds various patents relating to laboratory medicine and clinical immunology and various regional awards in the PRC in recognition of his achievement in medical science and technology.

**Mr. Leung Ka Sing (梁嘉聲)**, aged 73, was appointed as an independent non-executive Director on 21 June 2019. He is responsible for overseeing the management of the Group independently. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Leung has over 41 years of experience in chemistry, food science and safety management and occupational health and safety. From August 1980 to May 1986, he served as a technical director of Instrumentation Laboratory (Far East) Ltd., specialising in technical marketing and support in atomic spectroscopy. From June 1986 to July 1996, he served as a chemist in the Government Laboratory, specialising in quality management and the inspection of food and radiochemistry. From July 1996 to December 2001, he was seconded to the Labour Department where he served as a senior chemist, specialising in occupational health and safety, and from December 2001 to October 2006, he served as a senior chemist in the Food and Environmental Hygiene Department, specialising in food safety control. From October 2006 to July 2010, he was transferred back to the Government Laboratory, where he served as a senior chemist, specialising in chemical safety and food science. He was an Adjunct Associate Professor of the Department of Applied Biology and Chemical Technology of The Hong Kong Polytechnic University from July 2010 to June 2023, where he undertook the education and research of food safety and technology. He has been an Adjunct Associate Professor of the Department of Food Science and Nutrition of The Hong Kong Polytechnic University since June 2023. Mr. Leung has participated in numerous international meetings in the fields of food safety and risk management since 2003.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung graduated from the University of Hong Kong with a doctorate degree in Philosophy in November 1981, a master's degree in Philosophy in November 1975 and a bachelor's degree in Science in November 1972. He has been a member of various overseas professional committees. He became a member and a Chartered Chemist of The Royal Society of Chemistry since July 1984, an academican of The Royal Society of Chemistry since July 2002 and a Certified Food Scientist of The International Food Science Certification Commission since January 2013.

### SENIOR MANAGEMENT

**Mr. Li Zuhou (李祖后)**, aged 49, is the vice general manager of Dacheng primarily responsible for general management and operations. Mr. Li has 22 years of experience in business management. He joined the Group in November 2012 as a vice general manager of Dacheng. Prior to joining the Group, Mr. Li worked as the factory manager of Cangnan County Longgang Jingcheng Gift Box Craft Factory (蒼南縣龍港精誠禮盒工藝廠) from August 2001 to October 2012.

Mr. Li obtained his diploma in Economic Management from Zhejiang Staff University of Economics and Management (浙江經濟管理職工大學) in July 2009.

**Mr. Zhou Chuanbo (周傳波)**, aged 44, is the Chief Financial Officer of the Company primarily responsible for the overall financial management of the Group. He joined the Group in March 2019 as the Chief Financial Officer of the Company.

Mr. Zhou has over 16 years of financial management and accounting experience. Prior to joining the Group, he worked at PricewaterhouseCoopers China as a senior associate of the assurance department from August 2004 to April 2007. From April 2007 to April 2008, he worked at Maersk (China) Ltd. (馬士基中國有限公司) as a deputy financial manager. From April 2008 to February 2009, he worked at TMT Multi Modal Transportation Company Limited (上海鐵洋多式聯運有限公司), a joint venture of A.P. Moller Maersk Group, as an accounting manager of the finance department. From April 2009 to June 2014, he worked at China Risun Group Limited (中國旭陽集團有限公司) (formerly known as China Risun Coal Chemicals Group Limited (中國旭陽煤化工集團有限公司) and a company listed on the Main Board of the Stock Exchange since March 2019 (Stock Code: 1907)) as general manager of the finance department, a general manager of the company secretary department and the company secretary. From July 2014 to December 2016, he worked at China New Higher Education Group (中國新高教集團有限公司) (a company listed on the Main Board of the Stock Exchange since April 2017 (Stock Code: 2001)) as the financial director. From January 2017 to December 2018, he worked at Leysen Jewellery Inc. (萊紳通靈珠寶股份有限公司) (a company listed on the Shanghai Stock Exchange since November 2016 (Stock Code: 603900)) first as head of finance department and was subsequently appointed as the financial head in April 2017. He qualified as a chartered accountant in 2004 in the PRC, was admitted as a member of ACCA in 2010 and as a member of the Hong Kong Institute of Certified Public Accountants in 2013.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhou obtained a master's degree in Economics majoring in International Trade in 2004 and a bachelor's degree in International Finance in 2001, both from the Beihang University (北京航空航天大学).

**Mr. Yang Bo (楊波)**, aged 46, is the financial controller of the Company. Mr. Yang has over 16 years of experience in accounting and financial management. He joined the Group in February 2016 as the financial controller, primarily responsible for overseeing the daily operation of the finance and logistics department of Vastec. Prior to joining the Group, Mr. Yang worked at CSSC Jiangnan Heavy Industry Co., Ltd. (中船江南重工股份有限公司), a company listed on the Shanghai Stock Exchange since 1997 (stock code: 600072), as the deputy director of finance department from 2009 to 2016 and as the assistant of the deputy director of finance department from 2007 to 2009.

Mr. Yang obtained a bachelor's degree in International Accounting from East China University of Science and Technology in 1999.

Please also refer to the section headed "Report of the Directors" in this annual report for further information of the Directors, including without limitation, their interests in shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, and the common control confirmation between Mr. Ho, Mr. Leung King Sun and Mr. Lin.

*As of 15 March 2024 (being the date of this annual report)*

*Certain Chinese names of institutions, natural persons or other entities have been translated into English and included in this annual report as unofficial translations for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

## REPORT OF THE DIRECTORS

The Board is pleased to present this Report of the Directors together with the audited financial statements of the Group for the year ended 31 December 2023 (the Reporting Period).

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of Group's activities during the Reporting Period.

### BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its results and financial position are provided in the section headed "Management Discussion and Analysis" in this annual report, which forms a part of this Report of the Directors.

### PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of factors affecting the results and business operations of the Group, some of which are inherent in the market and some are due to external environment. Major risks and uncertainties are summarised as follows:

- The Group is heavily reliant on its relationship with Sysmex

Sysmex haemostasis and urinalysis products are two of the Group's most sold types of products. During the Reporting Period, the Group relied heavily on Sysmex brand recognition and reputation in the sales and marketing of its products. There is no assurance that Sysmex will maintain the strength of its brand recognition and that its products will keep generating stable profits for the Group on a continuous basis. Any detriment to Sysmex reputation, change of its sales or marketing strategy or any adverse impact on its business and financial performance would in turn materially and adversely affect the Group's business operations and results of operations.

- The Group may face intense competition in light of the government's policies in encouraging the expansion of large distributors through acquisition of smaller ones

The Group may face intense competition because the IVD product distribution industry in the PRC is highly fragmented and competitive. The PRC government encourages the consolidation in the drugs and medical device distribution industry and supports the expansion of large distributors to acquire smaller distributors in order to compress the multi-layer distribution value chain into one single layer. As a result, the Group's key competitors may expand their market shares by aggressive acquisition and the Group will have to face more fierce competition in the market.

The Group will keep on monitoring the aforesaid competition situation and adopt corresponding measures.

## REPORT OF THE DIRECTORS

### KEY RELATIONSHIP

The Group fully understands that employees, customers and suppliers are the key to its sustainable and stable development. The Group is committed to establishing a close relationship with its employees, customers, and suppliers so as to ensure the Group's sustainable development.

#### Employees

The Group's employees are regarded as the Group's most significant resources. The Group's recruiting policy emphasises the importance of attracting competent employees through a combination of competitive salary incentives, on-the-job training and opportunities for development. 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.

#### Customers

The principal customers of the Group are distributors, hospitals and healthcare institutions and logistics providers. The Group has been devoted to providing excellent customer services with the purpose of maintaining long term co-operation relationship, increasing sales volume and improving profitability.

A well-established and nationwide distribution network is one of the Group's most important strengths and valuable assets. The Group also adopts stringent guidelines to select, assess and monitor its distributors. In relation to the distribution of analysers and reagents that is conducted by distributors with which the Group had entered into sales agreements, the Group typically conducts background searches, attends onsite visits and conducts onsite evaluation for potential distributors. The Group also considers a wide range of factors, including their relevant experience and reputation, credibility, capability in operation and management, location, customer base and hospital sales volume, when determining whether to partner with such distributors.

The Group has also maintained strong ties with several leading hospitals through its subsidiaries in the PRC.

#### Suppliers

The Group has developed long-standing relationships with a number of suppliers and taken great care to ensure that they share the Group's commitment to quality and ethics.

During the Reporting Period, Vastec and Sysmex Shanghai Ltd. entered into the Strategic Cooperation Agreements, under which the parties agreed to amend Vastec's distribution right to a long-term right and Sysmex Shanghai Ltd. has made a capital injection to and has become a shareholder of Vastec.



## REPORT OF THE DIRECTORS

### ENVIRONMENTAL POLICY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment in all material aspects during the Reporting Period.

The Group understands that a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group has maintained strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

The details of environmental, social and governance (ESG) policies and performance of the Group are disclosed in the "Environmental, Social and Governance Report".

### COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Chinese Mainland while the Company is a holding company incorporated in the Cayman Islands with its Shares listed on the Main Board of the Stock Exchange. The Group's establishments and operations accordingly shall comply with relevant laws and regulations in Chinese Mainland, the Cayman Islands and Hong Kong. During the Reporting Period, the Group's businesses were in compliance with all relevant laws and regulations in Chinese Mainland, the Cayman Islands and Hong Kong that have a significant impact on the Group.

### RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group as of 31 December 2023 are set out in the consolidated financial statements in this annual report.

The Board declared the payment of an interim dividend of HK2.97 cents per Share for the six months ended 30 June 2023, amounting to a total of approximately RMB36,935 thousand.

As of the date of this annual report, the Board was not aware that any Shareholders had waived or agreed to any arrangement to waive dividends.

## REPORT OF THE DIRECTORS

The Board recommended the payment of a final dividend for the Reporting Period in the amount of HK6.209 cents per Share to Shareholders. The final dividend is intended to be paid out of the share premium account of the Company ("**Share Premium Account**") pursuant to the Articles of Association and in accordance with the Cayman Companies Act. As at 31 December 2023, based on the consolidated financial statements of the Group, the amount standing to the credit of the Share Premium Account amounted to approximately RMB2,224,295 thousand. The Board proposed to use an amount of approximately RMB76,314 thousand standing to the credit of the Share Premium Account for the payment of the final dividend. Following the payment of the final dividend (on the basis of 1,354,590,080 Shares in issue), there will be a remaining balance of approximately RMB2,147,981 thousand standing to the credit of the Share Premium Account.

The final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting scheduled to be held on 16 May 2024 ("**AGM**"). It is expected that the final dividend, if approved at the AGM, will be paid in cash on Wednesday, 29 May 2024 to the qualifying Shareholders whose names appear on the register of members of the Company at close of business on Wednesday, 22 May 2024, being the record date for determining the entitlements to the final dividend.

### CLOSURE OF REGISTER OF MEMBERS

- (a) Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 9 May 2024 (the AGM record date) will be entitled to attend and vote at the AGM. For the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 10 May 2024 to Thursday, 16 May 2024, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 9 May 2024.
- (b) For the purpose of determining the Shareholders who qualify for the final dividend (if approved by the Shareholders at the AGM), the register of members of the Company will be closed from Wednesday, 22 May 2024 to Thursday, 23 May 2024, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 21 May 2024.

## REPORT OF THE DIRECTORS

### FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 196 of this annual report. The summary does not form part of the audited consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the Reporting Period in the Group's property, plant and equipment are set out in note 13 to the consolidated financial statements in this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the Group's five largest customers accounted for approximately 24.9% of the Group's total sales and sales to the largest customer included therein amounted to approximately RMB178,443 thousand, which accounted for approximately 5.8% of the Group's total sales.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 94.1% of the Group's total purchases for the Reporting Period and purchase from the largest supplier included therein amounted to approximately RMB2,585,974 thousand, which accounted for approximately 91.1% of the Group's total purchases.

None of the Directors, their close associates or any Shareholders (that to the knowledge of the Directors own more than 5% of the issued Shares) had any interest in the Group's five largest customers or suppliers during the Reporting Period.

### SHARE CAPITAL

As of 31 December 2023, the authorised share capital of the Company was US\$1,500,000, divided into 3,000,000,000 Shares of US\$0.0005 each. Details of the movements in the share capital of the Company for the Reporting Period are set out in note 26 to the consolidated financial statements in this annual report.

## REPORT OF THE DIRECTORS

### RESERVES

Details of the movements in the reserves of the Group for the Reporting Period are set out in the section headed “Consolidated Statement of Changes in Equity” in the consolidated financial statements in this annual report.

As of 31 December 2023, the Company’s reserves available for distribution to the Shareholders were approximately RMB2,519,361 thousand. Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution or dividend payment, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends shall be distributed out of the retained earnings, including the share premium, of the Company.

### BOARD COMPOSITION

The Directors as of the date of this annual report are:

#### Executive Directors (“ED”)

Mr. Ho Kuk Sing (*Chairman & Chief Executive Officer*)

Mr. Leung King Sun (*Chief Operating Officer*)

Mr. Lin Xianya (*General Manager*)

#### Non-executive Directors (“NED”)

Ms. Yao Haiyun

Mr. Liu Fei

#### Independent Non-executive Directors (“INED”)

Mr. Lau Siu Ki

Mr. Zhong Renqian

Mr. Leung Ka Sing

The following changes in the Board composition took place during the Reporting Period:

Name	Directorship	Effective date
Mr. Sun Tao	Appointment – Non-executive Director	17 August 2023 (up to 30 January 2024)
Mr. Chan Kwok King, Kingsley	Cessation – Non-executive Director	17 August 2023

Information about changes in the Board composition after the Reporting Period is set out on page 89.

## REPORT OF THE DIRECTORS

### SERVICE CONTRACTS AND TERM OF DIRECTORS

Each of the Directors has entered into a service contract or letter of appointment with the Company which commenced from 1 July 2022 (or their respective appointment date, whichever is later) for a term of three years and shall be terminable by either party giving not less than three months' notice in writing to the other.

The term of the Directors is also subject to mechanism regarding retirement, re-election and removal pursuant to the Company's articles of association (the "**Articles**"). More information about the Directors standing for re-election at the forthcoming AGM will be set out the circular to the shareholders to be published with this annual report. None of the Directors proposed for re-election at the AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

### EMOLUMENT POLICY

The Group's emolument policy for the Directors and senior management of the Company is to determine the payable emolument with reference to the Group's operating results, individual role and duties, experience, responsibilities and performance and comparable market practices. Review and evaluation are being conducted from time to time to consider individual performance and achievements, and consider if adjustment shall be made. The Group also operates the share incentive schemes as further detailed in the paragraph headed "Share Schemes" below in this Report of the Directors.

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in notes 8 and 9 to the consolidated financial statements in this annual report. The executive Directors' emoluments set out therein were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive Directors' emoluments set out therein were for their services as directors of the Company.

The annual remuneration of the senior management by band for the Reporting Period is as follows:

<b>Annual remuneration paid by the Group</b>	<b>Number of persons</b>
RMB0 to RMB1,000,000	1
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	1



## REPORT OF THE DIRECTORS

### PENSION SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. Such subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

As of 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

### INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Having regard to the criteria under Rule 3.13 of the Listing Rules and the confirmations received, the Company considers the independent non-executive Directors to be independent.

### TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, (i) no transaction, arrangement or contract of significance subsisted or had been entered into by the Company or any of the Company’s subsidiaries or specified undertaking during or at the end of the Reporting Period in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly; (ii) no contract of significance subsisted or had been entered into between the Company or any of its subsidiaries, and a controlling Shareholder or any of its subsidiaries during the Reporting Period; and (iii) no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted or had been entered into during the Reporting Period.

## REPORT OF THE DIRECTORS

### INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF THE DIRECTORS

There were no loans, quasi-loans, or other dealings in favour of the Directors, bodies corporate controlled by such Directors and entities connected with such Directors subsisted as at 31 December 2023 or at any time during the Reporting Period.

### NON-COMPETE UNDERTAKINGS

Each of Mr. Ho, Mr. Leung, Mr. Lin, KS&KL Investment Co. Limited, King Sun Limited and Lucan Investment Limited (collectively the “**Founding Group Covenantors**”) has entered into a deed of non-competition dated 26 June 2019 in favour of the Company (the “**Founding Group Deed**”). Pursuant to the Founding Group Deed, each of the Founding Group Covenantors shall not, and shall procure its close associates (other than members of the Group) not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on its own account or with each other or in conjunction with or on behalf of any person or company, any business directly or indirectly in competition with or likely to be in competition with the existing business activities of the Group.

Separately, each of Shinva and Huatuo International Development Co., Limited (華佗國際發展有限公司) (“**Huatuo**”) (collectively the “**Shinva Covenantors**”) has entered into a deed of non-competition dated 26 June 2019 in favour of the Company (the “**Shinva Deed**”). Pursuant to the Shinva Deed, each of the Shinva Covenantors shall not, and shall procure its close associates (other than members of the Group) not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on its own account or with each other or in conjunction with or on behalf of any person or company, any business in competition with or likely to be in competition with the Relevant Business, save for the Excluded Business (each term as defined therein).

Further details of the Founding Group Deed and the Shinva Deed are set out in the Prospectus.

The Company has received confirmations from the Founding Group Covenantors and the Shinva Covenantors on their full compliance with the Founding Group Deed and the Shinva Deed, respectively, for the Reporting Period. The independent non-executive Directors have reviewed these confirmations and concluded that Founding Group Deed and the Shinva Deed have been complied with and have been effectively enforced during the Reporting Period.

## REPORT OF THE DIRECTORS

### EQUITY-LINKED AGREEMENTS AND ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURE

Save for the share schemes of the Company (including its share option schemes, the Share Award Scheme, and any options, awards and grant made thereunder) and matters disclosed in this annual report, during or as of the end of the Reporting Period (i) no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company; and (ii) no arrangement to which the Company (or a specified undertaking of the Company) is a party, and whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate subsisted.

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

Below are the Directors and chief executive of the Company as of 31 December 2023, who on that date, had interests and short positions 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 recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or 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 C3 to the Listing Rules:

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

## REPORT OF THE DIRECTORS

*Notes:*

- (1) The letter “L” denotes the long position in the Shares.
- (2) Mr. Ho is the sole shareholder and a director of KS&KL Investment Co. Limited. Therefore, Mr. Ho 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 under the ESOP and the Share Option Scheme, respectively as of 31 December 2023.
- (3) Mr. Leung is the sole shareholder and a director of King Sun Limited. 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 in the Company held by King Sun Limited; (ii) 1,487,000 Shares held by Mr. Leung; and (iii) 1,560,366 and 8,000,400 options held by Mr. Leung under the ESOP and the Share Option Scheme, respectively as of 31 December 2023.
- (4) Mr. Lin is the sole shareholder and a director of Lucan Investment Limited. Therefore, Mr. Lin 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 under the ESOP and the Share Option Scheme, respectively as of 31 December 2023.
- (5) By virtue of the Common Control Confirmation, Mr. Ho, Mr. Leung and Mr. Lin and their respective wholly-owned investment holding companies, namely KS&KL Investment Co. Limited, King Sun Limited and Lucan Investment Limited, collectively held 465,185,899 Shares as of 31 December 2023.

Save as disclosed above, as of 31 December 2023, none of the Directors and chief executives of the Company at that relevant time 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 recorded in the register in the required to be kept by the Company under section 352 of the SFO, or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## REPORT OF THE DIRECTORS

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

So far as the Directors are aware of, as of 31 December 2023, substantial shareholders' and other persons' (other than the Directors or chief executive of the Company at that time) interests or short positions in the Shares and the underlying Shares as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Capacity/Nature of interest	Number of Shares <sup>(1)</sup>	% of Shares in issue
<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>(2)</sup>	Beneficial owner	443,654,371 (L)	32.75%
Shinva Medical Instrument Co., Ltd <sup>(2)</sup>	Interest in controlled corporation	443,654,371 (L)	32.75%



## REPORT OF THE DIRECTORS

Name	Capacity/Nature of interest	Number of Shares <sup>(1)</sup>	% of Shares in issue
<b>Other Persons</b>			
HKND Gene Biotechnology Limited <sup>(3)</sup>	Beneficial owner/ interest in controlled corporation(s)	132,845,730 (L)	9.81%
SHEN Li <sup>(3)</sup>	Interest in controlled corporation(s)	132,845,730 (L)	9.81%
Hong Kong Medicine Group Limited <sup>(3)</sup>	Beneficial owner/ interest in controlled corporation(s)	124,845,730 (L)	9.22%
MA Zhuowei <sup>(3)</sup>	Interest in controlled corporation(s)	124,845,730 (L)	9.22%
China International Trust Limited <sup>(3)</sup>	Beneficial owner/ Interest in controlled corporation(s)	94,845,730 (L)	7.00%
China Smart Pharmaceutical Technology Limited <sup>(3)</sup>	Interest in controlled corporation(s)	94,845,730 (L)	7.00%
WU Mingcong <sup>(3)</sup>	Interest in controlled corporation(s)	94,845,730 (L)	7.00%
Fast Benefit Pharmaceutical Limited <sup>(3)</sup>	Interest in controlled corporation(s)	94,845,730 (L)	7.00%
WU Junfeng <sup>(3)</sup>	Interest in controlled corporation(s)	94,845,730 (L)	7.00%
ND Medical Technology Limited <sup>(3)</sup>	Interest in controlled corporation(s)	94,845,730 (L)	7.00%
WU Meizhen <sup>(3)</sup>	Interest in controlled corporation(s)	94,845,730 (L)	7.00%
3W.COM HOLDING LIMITED <sup>(3)</sup>	Interest in controlled corporation	92,646,730 (L)	6.84%

## REPORT OF THE DIRECTORS

Name	Capacity/Nature of interest	Number of Shares <sup>(1)</sup>	% of Shares in issue
North Haven Private Equity Asia IVD Company Limited <sup>(4)</sup>	Beneficial owner	92,646,730 (L)	6.84%
North Haven Private Equity Asia IVD Holding Limited <sup>(4)</sup>	Interest in controlled corporation(s)	92,646,730 (L)	6.84%
North Haven Private Equity Asia IV Holdings Limited <sup>(4)</sup>	Interest in controlled corporation(s)	92,646,730 (L)	6.84%
North Haven Private Equity Asia IV, L.P. <sup>(4)</sup>	Interest in controlled corporation(s)	92,646,730 (L)	6.84%
Morgan Stanley Private Equity Asia IV, L.L.C. <sup>(4)</sup>	Interest in controlled corporation(s)	92,646,730 (L)	6.84%
Morgan Stanley Private Equity Asia IV, Inc. <sup>(3)</sup>	Interest in controlled corporation(s)	92,646,730 (L)	6.84%
MS Holdings Incorporated <sup>(3)</sup>	Interest in controlled corporation(s)	92,646,730 (L)	6.84%
Morgan Stanley <sup>(3)</sup>	Interest in controlled corporation(s)	93,154,350 (L) 114,620 (S)	6.88% 0.01%

*Notes:*

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

Based on the information available to the Company, as of 31 December 2023:

(2) Huatuo International Development Co., Limited was 100% controlled by Shinva Medical Instrument Co., Ltd. Therefore, Shinva Medical Instrument Co., Ltd was deemed to be interested in Huatuo International Development Co., Limited's interest in Shares pursuant to the SFO.

## REPORT OF THE DIRECTORS

- (3) Shen Li 100% controlled HKND Gene Biotechnology Limited. Shen Li was deemed to be interested in HKND Gene Biotechnology Limited's interest in Shares pursuant to the SFO.

HKND Gene Biotechnology Limited controlled 20% of China International Trust Limited ("CITL"), who in turn 100% controlled 3W.com Holding Limited ("3W.com"). HKND Gene Biotechnology Limited reported that it was interested (or deemed to be interested) in (a) 38,000,000 Shares as a beneficial owner; (b) 92,646,730 Shares which 3W.COM was directly interested in; and (c) 2,199,000 Shares which CITL was directly interested in.

Ma Zhuowei 100% controlled Hong Kong Medicine Group Limited. Ma Zhuowei was deemed to be interested in Hong Kong Medicine Group Limited's interest in Shares pursuant to the SFO.

Hong Kong Medicine Group Limited controlled 20% of CITL. Hong Kong Medicine Group Limited reported that it was interested (or deemed to be interested) in (a) 30,000,000 Shares as a beneficial owner; (b) 92,646,730 Shares which 3W.COM was directly interested in; and (c) 2,199,000 Shares which CITL was directly interested in.

Wu Mingcong 100% controlled China Smart Pharmaceutical Technology Limited. Wu Mingcong was deemed to be interested in China Smart Pharmaceutical Technology Limited's interest in Shares pursuant to the SFO.

China Smart Pharmaceutical Technology Limited controlled 20% of CITL. China Smart Pharmaceutical Technology Limited reported that it was interested (or deemed to be interested in) (a) 92,646,730 Shares which 3W.COM is directly interested in; and (b) 2,199,000 Shares which CITL was directly interested in.

Wu Junfeng 100% controlled Fast Benefit Pharmaceutical Limited. Wu Junfeng was deemed to be interested in Fast Benefit Pharmaceutical Limited's interest in Shares pursuant to the SFO.

Fast Benefit Pharmaceutical Limited controlled 20% of CITL. Fast Benefit Pharmaceutical Limited has reported that it was interested (or deemed to be interested in) (a) 92,646,730 Shares which 3W.COM was directly interested in; and (b) 2,199,000 Shares which CITL was directly interested in.

Wu Meizhen 100% controlled ND Medical Technology Limited. Wu Meizhen was deemed to be interested in ND Medical Technology Limited's interest in Shares pursuant to the SFO.

ND Medical Technology Limited controlled 20% of CITL. ND Medical Technology Limited reported that it is interested (or deemed to be interested in) (a) 92,646,730 Shares which 3W.COM was directly interested in; and (b) 2,199,000 Shares which CITL was directly interested in.

## REPORT OF THE DIRECTORS

- (4) 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 92,646,730 Shares (L) which North Haven Private Equity Asia IVD Company Limited was directly interested in pursuant to the SFO.

Morgan Stanley & Co. International plc was 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 507,620 Shares (L) which Morgan Stanley & Co. International plc was directly interested in pursuant to the SFO.

Morgan Stanley Capital Services LLC was 100% controlled by Morgan Stanley Domestic Holdings, LLC, which is in turn 100% controlled by Morgan Stanley Capital Management, LLC. Morgan Stanley Capital Management, LLC is 100% controlled by Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in 114,620 Shares (S) which Morgan Stanley Capital Services LLC was directly interested in.

Morgan Stanley's interests in Shares include interests in 114,620 Shares (S) in cash settled unlisted derivatives.

Save as disclosed above, the Directors are not aware of any other persons (other than the Directors and the chief executives of the Company at that time) who had any interests or short positions in the Shares and underlying Shares as of 31 December 2023 as recorded in the register required to be kept under section 336 of the SFO.

## REPORT OF THE DIRECTORS

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

### SHARE SCHEMES

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

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

##### (a) Purpose

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

Upon adoption of the ESOP, the Company granted to DVI Investment Limited (the "**Master Option Grantee**") an option (the "**Master Option**") to purchase up to such number of Shares equal to 5% of the total number of the then outstanding Shares 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.

##### (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.



## REPORT OF THE DIRECTORS

### **(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;
- (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.

## REPORT OF THE DIRECTORS

### (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.

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

### (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):

- (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.

## REPORT OF THE DIRECTORS

### **(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.

**“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.

## REPORT OF THE DIRECTORS

### (i) Outstanding options granted

On 29 December 2017, the Board granted the Master Option to the Master Option Grantee to purchase the Total Option Shares, being 32,507,627 Shares, under the ESOP. On 12 July 2019, all Management Options under the ESOP were granted by the Master Option Grantee to the executive Directors at that time prior to the Listing. Further information of the Management Options during the Reporting Period is set out below:

Name of grantees	Date of grant <sup>3</sup>	Number of Management Options granted	Exercise price per Share	Outstanding as of 1 January 2023	During the Reporting Period <sup>2</sup>			Outstanding as of 31 December 2023	Vesting and exercise period
					Exercised (Relevant closing price <sup>4</sup> )	Cancelled	Lapsed		
<b>Directors</b>									
Ho Kuk Sing	12 July 2019	20,479,805	RMB1.69	8,191,922	-	-	-	8,191,922	Note 5
Leung King Sun	12 July 2019	3,900,915	RMB1.69	1,560,366	-	-	-	1,560,366	Note 5
Lin Xianya	12 July 2019	8,126,907	RMB1.69	3,250,763	-	-	-	3,250,763	Note 5
Total		32,507,627		13,003,051 <sup>6</sup>	-	-	-	13,003,051 <sup>7</sup>	

#### Notes:

- No Management Options were granted or available for grant during the Reporting Period.
- A consideration of RMB0.1 was payable by each grantee upon acceptance of the Management Option.
- The grant was made prior to the Company's listing on the Stock Exchange.
- Being the weighted average closing price per Share immediately before the date on which the Management Options were exercised.
- Each grantee, upon accepting the Management Options under the ESOP, was deemed to have undertaken to the Company that he will hold and exercise his Management Options in accordance with the rules of the ESOP and the Management Option Agreement, including with respect to the allotment and issue of Shares to him upon exercise of his Management Options 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 their expiration date on 28 December 2024 (unless terminated earlier in accordance with the terms of the ESOP).

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

## REPORT OF THE DIRECTORS

No further options were available for grant under the ESOP upon the Company's listing.

Up to the date of this annual 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, Mr. Leung and Mr. Lin 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 annual report. No Management Options granted have been exercised up to the date of this annual report.

### B. Share Option Scheme

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

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

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

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

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

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



## REPORT OF THE DIRECTORS

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

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

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

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

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 and the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from 12 July 2019.

## REPORT OF THE DIRECTORS

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>	Outstanding	During the Reporting Period			Outstanding	Vesting and exercise period
				as of 1 January 2023	Exercised (Relevant closing price <sup>4</sup> )	Cancelled	Lapsed	as of 31 December 2023	
<b>Directors</b>									
Ho Kuk Sing	22 November 2019	8,000,400	3.042	8,000,400	-	-	-	8,000,400	Note 5
Leung King Sun	22 November 2019	8,000,400	3.042	8,000,400	-	-	-	8,000,400	Note 5
Lin Xianya	22 November 2019	7,333,700	3.042	7,333,700	-	-	-	7,333,700	Note 5
<b>Employees participants</b>									
One of the five highest paid employees (also being senior management of the Company)	22 November 2019	200,010	3.042	200,010	-	-	-	200,010	Note 6
One other senior management	22 November 2019	666,700	3.042	666,700	-	-	-	666,700	Note 6
Other employees, in aggregate <sup>8</sup>	22 November 2019	866,710	3.042	866,710	-	-	-	866,710	Note 6
<b>Total</b>				<b>25,067,920<sup>7</sup></b>	<b>-</b>			<b>25,067,920<sup>7</sup></b>	

### Notes:

- 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 the beginning, the end of the Reporting Period and the date of this annual report, representing approximately 7.87% of the total issued Shares as at the relevant time, respectively.

- A consideration of HK\$1 was payable by each grantee upon acceptance of the Option.
- 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 (also being the date on which the exercise price was fixed); (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; 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.

## REPORT OF THE DIRECTORS

4. Being the weighted average closing price per Share immediately before the date on which the Options were exercised.
5. 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.
6. 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.
7. Representing approximately 1.85% of the total issued Shares as of the beginning of the Reporting Period, the end of the Reporting Period, and as of the date of this annual report, respectively.
8. None of these employees were connected person, senior management, related entity participant or service provider of the Company save as disclosed above. None of them has options and awards granted and to be granted in excess of 1% of the total issued Shares of the Company save as disclosed above.

### C. Share Award Scheme

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

#### (a) Purpose

The purpose of 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 and the rules of the Share Award Scheme, 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 and a trust deed dated 19 May 2020 entered into between the Company as settler and the Trustee as trustee.

Pursuant to the Share Award Scheme, the Board may from time to time cause to be paid a contributed amount to the trust by way of settlement or otherwise contributed by the Company, any subsidiary, any of the controlling shareholders of the Company who are natural persons, or any party designated by the Company or any of the controlling shareholders of the Company who are natural persons as directed by the Board which shall constitute part of the trust fund, for the purchase or subscription (as the case may be) of the Shares.

## REPORT OF THE DIRECTORS

### **(d) Maximum limit**

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

### **(e) Participants, vesting period and conditions of award**

Only employees (including executive directors) of any member of the Group could be awarded Awarded Shares under the Share Award Scheme.

Any grant of Awarded Shares to select employee shall be at no consideration. The Board is entitled to impose any conditions (including a period of continued service within the Group), as it deems appropriate in its absolute discretion with respect to the vesting of the Awarded Shares on the selected employees.

In determining the number of Awarded Shares to be granted, the Board shall take into consideration matters including, but without limitation to:

- (i) the present contribution and expected contribution of the relevant selected employee to the profits of the Group;
- (ii) the general financial condition of the Group;
- (iii) the Group's overall business objectives and future development plan; and
- (iv) any other matter which the Board considers relevant.

## REPORT OF THE DIRECTORS

As of 31 December 2023, there were no unvested Award Shares. 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	During the Reporting Period <sup>2</sup>				Unvested awards as of 31 December 2023	Vesting period
			Unvested awards as of 1 January 2023	Vested (Relevant closing price <sup>4</sup> )	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	-	-	-	-	-	Date of grant to 1 April 2022 <sup>5</sup>
One other senior management	29 March 2021 (HK\$2.12)	959,000	-	-	-	-	-	Date of grant to 1 April 2022 <sup>5</sup>
Other employees in aggregate <sup>6</sup>	29 March 2021 (HK\$2.12)	24,457,000	-	-	-	-	-	Date of grant to 1 April 2022 <sup>5</sup>
<b>Total</b>		<b>28,318,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

*Notes:*

- As of 31 December 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, no Awarded Shares were issued.

The number of Awarded Shares available for grant under the Share Award Scheme was 107,141,000 Shares as of both the beginning of the Reporting Period and as of the end of the Reporting Period, respectively, (representing approximately 7.91% and 7.91% 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 annual report in this regard.



## REPORT OF THE DIRECTORS

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. Being the weighted average closing price per Share immediately before the date on which the Award Shares were vested.
5. The Board resolved on 15 December 2020 to allot and issue 30,000,000 new Awarded Shares to the Trustee under the general mandate. These 30,000,000 Awarded Shares were granted by the Board to 405 selected employees (who are all employees of the Company or its subsidiaries) at nil consideration on 29 March 2021. 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 the these Awarded Shares were not subject to any performance target.
6. None of these employees were connected person, senior management, related entity participant or service provider of the Company save as disclosed above. None of them has options and awards granted and to be granted in excess of 1% of the total issued Shares of the Company save as disclosed above.
7. Since the adoption date of the Share Award Scheme and up to the date of this report, the total number of Shares being awarded was 30,000,000 Shares, representing approximately 2.25% of the total issued Shares as of the adoption date, and 2.21% of the total issued Shares as of the date of this annual report.

Further details of the Share Award Scheme are set out in note 28 to the consolidated financial statement in this annual report.

## REPORT OF THE DIRECTORS

### CONNECTED TRANSACTIONS

During the Reporting Period, the Group had conducted the following transactions which constituted non-exempt continuing connected transactions under Chapter 14A of the Listing Rules:

#### (A) Rental of premises from the Founding Group

On 31 December 2021, the Company entered into a framework property lease agreement with Mr. Ho, Mr. Leung and Mr. Lin (together with their associates, the “**Founding Group**”) regarding the Group leasing premises owned by the Founding Group (as landlords) for use as office premises, dormitory, warehouse, or for other business needs (the “**Founding Group Framework Tenancy Agreement**”). In accordance with the HKFRS 16 applicable to the Group, the Group recognises rental payments to be paid by the Group under the Founding Group Framework Lease Agreement as acquisition of right-of-use asset and a lease liability, which are measured at the present value, discounted using the lessee’s incremental borrowing rate in the year of entering into the lease where the relevant member(s) of the Group act as a lessee. The transactions under the Founding Group Framework Lease Agreement are being treated as continuing connected transactions of the Company. The annual caps in respect of the total value of right-of-use assets to be recognised by the Company for the years ended 31 December 2022, 2023, and for the year ending 31 December 2024 are RMB18,000,000, RMB12,000,000 and RMB6,000,000, respectively.

Pursuant to the Founding Group Framework Lease Agreement, the Group (as tenant) rented properties from members of the Founding Group in Hong Kong, Shanghai and Hangzhou for use as office premises and dormitory during the Reporting Period. These individual leases have a lease term of not more than three years, with rental at fixed amount. The total value of right-of-use assets to be recognized by the Group to the Founding Group and their associates in respect of these leases under the Founding Group Framework Lease Agreement as of 31 December 2023 was approximately RMB4,669,000, and the aggregate value recognised during the Reporting Period was nil.

## REPORT OF THE DIRECTORS

### (B) Rental of premises from the Shinva Group

On 31 December 2021, the Company entered into the framework property lease agreement with Shinva Medical Instrument Co., Ltd (“**Shinva**”, a controlling shareholder of the Company) regarding the Group leasing premises owned by Shinva and its associates (“**Shinva Group**”) (as landlords) for use as office premises, dormitory, warehouse, or for other business needs (the “**Shinva Framework Lease Agreement**”).

Short-term individual leases are being entered into under the Shinva Framework Lease Agreement, and the rental payments from the Group are being recognised as expenses in the consolidated statement of profit or loss and other comprehensive income of the Company. The annual caps in respect of the total rental payment payable by the Group as contemplated under Shinva Framework Lease Agreement for the years ended 31 December 2022, 2023, and for the year ending 31 December 2024 are RMB4,500,000, RMB4,600,000 and RMB4,700,000, respectively.

Pursuant to the Shinva Framework Lease Agreement, the Group (as tenant) rented properties from members of the Shinva Group in Shanghai and Jinan for use as office premises and warehouse during the Reporting Period. These individual leases are short term leases with a lease term of not more than one year, with rental at fixed amount and utilities and management fee. The actual rental fees paid by the Group to the Shinva Group for the Reporting Period were approximately RMB3,656,000.

## REPORT OF THE DIRECTORS

### ***Listing Rules implications and annual review***

Each of the Founding Group and Shinva is a controlling shareholder under the definition of the Listing Rules. The above transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The applicable percentage ratios of these transactions are less than 5%, and these transactions were subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. More details about these transactions have been disclosed in the Company's announcement dated 31 December 2021.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions disclosed above and confirmed that these transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Actual transaction amount of the transactions disclosed above for the Reporting Period has not exceeded their respective annual caps. The Group has followed the pricing policies and guidelines when determining the consideration and terms of the above transactions conducted during the Reporting Period.

The Board has received a letter from Ernst & Young, the Company's auditor, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued the letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules, that nothing has come to their attention that causes them to believe the continuing connected transactions disclosed above:

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group regarding, (if applicable) provisions of goods or services;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) have exceeded the corresponding annual cap.

## REPORT OF THE DIRECTORS

### CONTINUING CONNECTED TRANSACTIONS FOR 2024

#### (C) Distribution of Shinva Products

On 15 December 2023, Vastec (a member of the Group) entered into the sales contract with Shinva, under which Shinva has designated Vastec as its distributor of Shinva's thromboelastography instruments and its ancillary reagents and consumables in the Chinese Mainland (excluding Shandong, Henan, Hong Kong, the Macau SAR and Taiwan) for a period from 1 January 2024 to 31 December 2024. The transaction amount under this agreement is capped at RMB20,000,000 for the year ending 31 December 2024. More details have been disclosed in the Company's announcements dated 15 December 2023 and 29 December 2023

### RELATED PARTY TRANSACTIONS

Note 31 to the consolidated financial statements in this annual report contains further information about the Group's material transactions with related parties during the Reporting Period. During the Reporting Period, except for the transactions set out in "Connected Transactions" above, the other related party transactions in the said note 31 either do not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules, or are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. The Company has complied with all the disclosure requirements in accordance with Chapter 14A of the Listing Rules, and has followed its policies and guidelines when determining the price and terms of the continuing connected transactions conducted during the Reporting Period in line with guidance letter HKEx-GL73-14.

### COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or their respective associates (as defined under the Listing Rules) has any interest in a business which competes or is likely to compete with the business of the Group, either directly or indirectly, or has any other conflict of interests during the Reporting Period.

### BOARD DIVERSITY

The Company has adopted a diversity policy with respect to the composition of the Board (the "**Board Diversity Policy**"). Further information is set out in "Corporate Governance Report – Board Diversity Policy" in this annual report. Details on the biographies and experience of the Directors are set out on pages 29 to 36 of this annual report.



## REPORT OF THE DIRECTORS

### SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, at least 25% of the Company's total issued Shares was held by the public at all times during the Reporting Period and up to the date of this annual report, and the Company believes it has maintained a sufficient public float as required under the Listing Rules.

### PRE-EMPTIVE RIGHTS

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

### TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Shares.

### DONATION

In 2023, the Group made a total donation of RMB2,400 thousand.

### PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts subject to applicable laws and regulations. Such provision was in force during the Reporting Period and remained in force as of the date of this annual report. The Company has also arranged appropriate directors' and officers' liability insurance for the Directors and officers of the Group.

## REPORT OF THE DIRECTORS

### ANNUAL GENERAL MEETING

The AGM will be held on 16 May 2024. The notice of the AGM will be published on the websites of the Stock Exchange and the Company in due course.

### CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 71 to 89 of this annual report.

### MANAGEMENT CONTRACT

Except for service contracts or letters of appointment engaging the Directors and the Group's management in their employment, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the Reporting Period.

### SUBSEQUENT EVENTS

Save as referred to in this annual report, the Group has had no material event since the end of the Reporting Period and up to 15 March 2024 (being the date of this annual report).

### AUDITOR

The Company has appointed Ernst & Young as the auditor of the Company for the year ended 31 December 2023. A resolution will be proposed for approval by Shareholders at the AGM to re-appoint Ernst & Young as the auditor of the Company.

There have been no change of the auditor of the Company in the preceding three years.

On behalf of the Board

**Ho Kuk Sing**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 15 March 2024

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

This annual report contains 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 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, staff, agents, advisers or representatives assume any responsibility to update, supplement, correct these statements or adapt them to future events.

## CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the Reporting Period.

### CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group. The Board strives to apply and adhere to the principles under Part 2 of the Corporate Governance Code (the “**CG Code**”) in Appendix C1 to the Listing Rules as basis of the Company’s corporate governance practices, based on the Company’s individuality to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Board is of the view that throughout the Reporting Period, the Company has complied with all the code provisions as set out in Part 2 of the CG Code, except for Code Provision C.2.1 (the details of which are set out in the paragraph headed “Chairman and chief executive officer” below).

### DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules 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.

### BOARD OF DIRECTORS

The Board oversees the Group’s businesses, strategic decisions and performance and should make decisions objectively in the best interests of the Company. The Directors place great emphasis on the fiduciary nature of the Board’s responsibilities and strive to be accountable to the Shareholders as a whole.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them. As disclosed in the section headed “Board of directors and senior management” in this annual report, Mr. Lau Siu Ki is holding directorships in five other listed companies in Hong Kong in addition to his directorship in the Company. Despite his directorships outside the Company, since Mr. Lau’s appointment as an independent non-executive Director, he has maintained good attendance records for the Board committee and Board meetings and devoted time to review the materials provided by the Company before such meetings and actively shared his opinions and voiced his concerns in the discussion of the Company’s issues. The Board is of the view that Mr. Lau is able to devote sufficient time to the Board and to the affairs of the Group that Mr. Lau’s directorships outside the Company would not hinder him in maintaining his current role in, and his functions and responsibilities for, the Company.

## CORPORATE GOVERNANCE REPORT

Mr. Ho, Mr. Leung King Sun and Mr. Lin are parties to a common control confirmation dated 27 May 2016, under which they confirmed, among others, the existence of their collective control and management arrangements over the Group to consolidate their control over the Group. For further information, see the Prospectus and “Report of the Directors – Interests and Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations”. Save as the above, the members of the Board do not have any financial, business, family or other material/relevant relationships with each other.

*Note:* More information about the Board composition during the Reporting Period is set out in “Report of the Directors – Board composition”. See also page 89 of this corporate governance report for changes subsequent to the Reporting Period.

### Board Diversity Policy

The Board has formulated the Board Diversity Policy setting out the approach to maintaining a Board with a diversity of directors. The Company recognises the benefits of diversity at the Board level as an essential element in supporting its sustainable development. All Board appointments will continue to be based on meritocracy with due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Board would, from time to time, use its best endeavour and on suitable basis to seek female candidates into the Board as appropriate. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

## CORPORATE GOVERNANCE REPORT

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience, which are appropriate for the requirements of the business development of the Group and for effective leadership. During the Reporting Period, the executive Directors possess extensive experience in IVD and medical equipment industry and in management while the non-executive Directors (including independent non-executive Directors) possess professional knowledge and broad experience in IVD and medical equipment, finance and accounting industry. As of the date of this annual report, the Board comprised both male and female (one out of eight), providing the Board with a direct and diversified channel of the opinion of both genders. The Directors are of the opinion that Board diversity (including gender diversity) has been achieved with reference to the current circumstances of the Company, and the present structure of the Board can ensure the independence and objectivity of the Board and provide a system for checks and balances to safeguard the interests of the Shareholders. The Board will continue to maintain Board diversity (including gender diversity), and maintain at least one female representation to ensure the opinions from different gender are well represented. If the Board determines that an additional or replacement or Director may be appropriate or desirable for the development of the Group, the Company will deploy multiple channels for identifying suitable candidates, for examples, referral from Directors, shareholders, management, advisors of the Company, with regarding to the range of diversity perspectives (including gender diversity) set forth in the Board Diversity Policy.

As of 31 December 2023, around 37.2% of the Group's workforce (including senior management) was female. The Group adheres to the recruitment principle of equality and merit selection. The Group considers the current employees' gender ratio to be appropriate with respect to the Group's circumstances, and intends to maintain similar level of gender balance. More information regarding the gender ratio and other information about the Group's workforce, and the Group's plan for achieving diversity will be included in the Company's Environmental, Social and Governance Report.

### **Mechanism for ensuring independent views and input**

Mechanism is available for ensuring independent views and input are available to the Board. The Board currently comprises a majority of non-executive Directors (including independent non-executive Directors). They have full and timely access to the Group's information, and are entitled to seek advice from the company secretary as well as independent professional advisers at the Company's expenses in appropriate circumstances. Supported also by the Company's conflict management and other internal control measures, these non-executive Directors (including independent non-executive Directors) provide a balance in the Board, bring in view and opinion independent of the executive Directors and the management, and oversee the Group's operation and corporate action. The Board and the Nomination Committee review at least once in every year for the Company's governance structure and such mechanism. Periodic review and evaluation are also being conducted to assess the Board and management's performance, monitoring and enhancing the effectiveness of the Company's governance structure and mechanism.



## CORPORATE GOVERNANCE REPORT

### Board Meetings and General Meetings

Below sets out the attendance at the 5 Board meetings and 1 general meeting of the Company by the Directors in the Reporting Period:

Name of Director	Number of Board meeting attended/held	Number of general meeting attended/held
Mr. Ho Kuk Sing	5/5	1/1
Mr. Leung King Sun	5/5	1/1
Mr. Lin Xianya	5/5	1/1
Ms. Yao Haiyun	5/5	1/1
Mr. Yang Zhaoxu	5/5	1/1
Mr. Chan Kwok King, Kingsley ( <i>Resigned on 17 August 2023</i> )	3/3	1/1
Mr. Sun Tao ( <i>Appointed on 17 August 2023</i> )	2/2	0/0
Mr. Lau Siu Ki	5/5	1/1
Mr. Zhong Renqian	5/5	1/1
Mr. Leung Ka Sing	5/5	1/1

Note: Attendance is presented by reference to number of meetings held during the tenure of a Director

The Board holds at least four meetings in each year at approximately quarterly intervals to discuss the Group's business development, operations and financial performance to comply with Code Provision C.5.1. Notice of at least 14 days was given to all Directors for all regular Board meetings and a formal agenda was addressed to the Directors together with the notice. All Directors were provided with adequate information which enabled them to make informed decisions on the matters discussed and considered at the Board meetings. The Chairman also held a meeting with all independent non-executive Directors without the presence of other Directors during the Reporting Period.

### Chairman and Chief Executive Officer

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separated 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.

Mr. Ho is the Chairman and Chief Executive Officer of the Company. He is one of the founders of the Group and has extensive experience in the industry.

## CORPORATE GOVERNANCE REPORT

The Board believes that Mr. Ho 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 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.

### Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Having regard to the criteria under Rule 3.13 of the Listing Rules and the confirmations received, the Company is of the view that all independent non-executive Directors are independent.

### Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to renewal after the expiry of the current term.

The Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by the Shareholders at the first general meeting after appointment.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

### Responsibilities of the Board and Management

The Board assumes responsibility for leadership and control of the Company, and is collectively accountable and responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The management reports to the Directors.

## CORPORATE GOVERNANCE REPORT

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

All major matters relating to policies, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company are reserved for the Board's decision. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management of the Company arising out of corporate activities.

### **Continuous Professional Development of Directors**

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remain informed and relevant.

Every newly appointed Director (if any) will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

## CORPORATE GOVERNANCE REPORT

The Directors have also been informed of the requirement under Code Provision C.1.4 of Part 2 of the CG Code regarding continuous professional development and they may join institutes and attend relevant training seminars or informative talk from time to time to enable them to better discharge their duties.

All Directors understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills. The Company provides to the Directors updates and materials on Listing Rules and key corporate governance matters to assist them in keeping abreast of the regulatory requirements. Directors may also attend courses/training session provided by external professional bodies on topics relevant to the duties and responsibilities of a director. Below are the Directors during the Reporting Period, and they have provided to the Company the following records on trainings they received during the Reporting Period:

	<b>Attending courses and reading materials</b>
<b><i>Executive Directors</i></b>	
Mr. Ho Kuk Sing	✓
Mr. Leung King Sun	✓
Mr. Lin Xianya	✓
<b><i>Non-executive Directors</i></b>	
Mr. Yang Zhaoxu ( <i>up to 8 March 2024</i> )	✓
Mr. Chan Kwok King, Kingsley ( <i>up to 17 August 2023</i> )	✓
Mr. Sun Tao ( <i>from 17 August 2023 to 30 January 2024</i> )	✓
Ms. Yao Haiyun	✓
<b><i>Independent Non-executive Directors</i></b>	
Mr. Lau Siu Ki	✓
Mr. Zhong Renqian	✓
Mr. Leung Ka Sing	✓

### BOARD COMMITTEES

The Board currently has three committees, namely, the Audit Committee, the Remuneration Committee, and the Nomination Committee. These committees are established for overseeing particular aspects of the Company's affairs, with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange.

## CORPORATE GOVERNANCE REPORT

### Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The Audit Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control principles of the Company, and assists the Board to fulfill its responsibility over the audit. The Audit Committee holds meetings at least twice in a year to comply with its terms of reference. The duties and powers of the Audit Committee include:

1. To oversee, monitor and making recommendations regarding the Company's relationship with the Company's external auditor;
2. To review the Group's financial information;
3. To oversee of the Group's financial reporting system, risk management and internal control systems; and
4. To perform the Group's corporate governance functions.

Members of the committee during the Reporting Period, and their attendance of the 2 committee meetings held in such period is set out below:

Name of members	Number of meetings attended/held
Mr. Lau Siu Ki ( <i>INED</i> ) ( <i>Chairman of the committee</i> )	2/2
Mr. Zhong Renqian ( <i>INED</i> )	2/2
Mr. Leung Ka Sing ( <i>INED</i> )	2/2

During the Reporting Period, two meetings were held between the Audit Committee and the Company's external auditor. At least one of these meetings was held in the absence of the management to discuss matters relating to the audit fees, any issues arising from the audit and any other matters the auditor wish to raise in order to comply with its terms of reference.



## CORPORATE GOVERNANCE REPORT

The Audit Committee had performed the following work during the Reporting Period:

- (i) reviewed the audited annual financial statements for the year ended 31 December 2022;
- (ii) reviewed the unaudited interim financial statements for the six months ended 30 June 2023;
- (iii) reviewed the continuing connected transactions of the Company;
- (iv) made recommendations to the Board for approval of the above-mentioned financial statements;
- (v) reviewed and approved the internal audit plans and reviewed reports from the internal control adviser engaged by the Company and reviewed the effectiveness of the Group's internal audit function;
- (vi) reviewed and monitored the external auditor's independence, and objectivity and effectiveness of the audit process;
- (vii) reviewed and approved the audit service memorandum presented by the external auditor;
- (viii) discussed with the management and the external auditor on the issues concerning accounting policies and practices which may affect the Group, along with financial reporting matters;
- (ix) reviewed the risk management and internal control systems;
- (x) made recommendation to the Board on the re-appointment of the external auditors, and determined the interim review and annual audit fees and other terms of engagement of the external auditors; and
- (xi) reviewed the terms of reference of the Audit Committee and whistleblowing policy and system of the Company to consider if any proposed changes that deemed appropriate or advisable; and
- (xii) performed other duties under the CG Code and the terms of reference of the Audit Committee.

## CORPORATE GOVERNANCE REPORT

### Remuneration Committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The duties and powers of the Remuneration Committee include:

1. To make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
3. To make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. To make recommendations to the Board on the remuneration of non-executive Directors;
5. To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
6. To review and approve the compensation payable to executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
7. To review and approve compensation arrangements in relating of dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
8. To ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration;
9. To review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules;
10. In respect of any service agreement to be entered into between any members of the Group and its Director or proposed Director, to review and provide recommendation to the Shareholders of the Company (other than Shareholder(s) who is/are Director(s) with a material interest in the relevant service agreements and their respective associates) as to whether the terms of the service agreements are fair and reasonable and whether such service agreements are in the interests of the Company and the Shareholders as whole, and to advise the Shareholders on how to vote; and
11. To consider other matters, as defined or assigned by the Board, or otherwise required by the Listing Rules and/or other applicable laws and rules from time to time.

## CORPORATE GOVERNANCE REPORT

Members of the committee during the Reporting Period, and their attendance of the 1 committee meeting held in such period is set out below:

<b>Name of members</b>	<b>Number of meeting attended/held</b>
Mr. Lau Siu Ki ( <i>INED</i> ) ( <i>Chairman of the committee</i> )	1/1
Mr. Leung King Sun ( <i>ED</i> )	1/1
Mr. Leung Ka Sing ( <i>INED</i> )	1/1

During the Reporting Period, the Remuneration Committee reviewed the remuneration policy of executive Directors and senior management of the Company; assessed performance of executive Directors and senior management of the Company; reviewed the composition of senior management of the Company; discussed and recommended the remuneration packages and service contracts/letters of appointment of the Directors and senior management of the Company and of new candidate(s) to the Board for the Board's approval; reviewed the rules of the share schemes and relevant documentation of the Company to ensure they support the compensation and incentive framework of the Group; reviewed the terms of reference of the Remuneration Committee to consider any proposed changes that were deemed appropriate or advisable and performed other duties under the CG Code and the terms of reference of the Remuneration Committee.

### Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The duties and powers of the Nomination Committee include:

1. To review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

## CORPORATE GOVERNANCE REPORT

3. To assess the independence of independent non-executive Directors;
4. To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer of the Company;
5. To review the Board Diversity Policy and any measurable objectives for implementing the Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives, and to make disclosure or its review results in the annual report of the Company annually; and
6. To consider other matters, as defined or assigned by the Board from time to time.

When considering the composition of the Board, and candidates for directorship and management of the Company (including in the re-election process), the Nomination Committee would consider the need of and balance of the Group and the Board, the Group's objectives and strategy, and assess the suitability of the candidate on his/her individual qualities, and benefits he/she could bring.

Nomination of candidates for directorship would be made in accordance with the Company's nomination policy, requiring the Nomination Committee to consider (among others) the above aspects, taking into account non-exhaustive factors in the assessment of individual candidate including his/her character, accomplishment and experience, qualifications, commitment, diversity in all aspects (see also the paragraph headed "Board Diversity Policy" above). The Nomination Committee would then make recommendation to the Board.

The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

## CORPORATE GOVERNANCE REPORT

Members of the committee during the Reporting Period, and their attendance of the 1 committee meeting held in such period is set out below:

<b>Name of members</b>	<b>Number of meeting attended/held</b>
Mr. Ho Kuk Sing ( <i>Chairman of the committee</i> ) ( <i>ED</i> )	1/1
Mr. Lau Siu Ki ( <i>INED</i> )	1/1
Mr. Leung Ka Sing ( <i>INED</i> )	1/1

During the Reporting Period, the Nomination Committee reviewed the composition of the Board and its committees, assessed the suitability and qualification of candidate(s) proposed to be appointed as director and made recommendation to the Board on the same, reviewed and make recommendation to the Board on changes to the composition to the Board and its committees reviewed and made recommendation to the Board on candidates for re-election by Shareholders at annual general meeting, reviewed the independence of the independent non-executive Directors, reviewed the time commitment and succession planning of the Board and the management, reviewed the terms of reference of the Nomination Committee and the Board diversity policy of the Company and performed other duties of the Nomination Committee under the CG Code and the terms of reference of the Nomination Committee. The Nomination Committee holds at least one meeting each year to perform its duties.

### CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the Code Provision A.2.1 of Part 2 of the CG Code, such as developing and reviewing the Company's corporate governance policies and practices, reviewing and monitoring training and continuous professional development of the Directors and senior management of the Company, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing and monitoring the compliance with the Model Code and other applicable corporate compliance manuals, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

### DIVIDEND POLICY

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. A general dividend policy of declaring and paying an annual dividend of not less than 20% of the Group's distributable net profit attributable to the equity Shareholders was adopted by the Board in principle.



## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for maintaining the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The main feature of the Group's risk management and internal control system is its ability to dynamically and effectively capture and evaluate significant emerging risks and risk changes, both quantitatively and qualitatively, and to timely manage risks by appropriate risk responses and mitigation strategies.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including policy on securities trading, safety control system for production and fire, methods of prevention from occupational disease, guidelines regarding using official seal, policy on confidential control (as updated and amended from time to time), policy on employees' external training, guidelines regarding information management and transition.

All divisions/departments of the Company conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The senior management of the Company, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. No significant control failings or weaknesses have been identified during the Reporting Period.

## CORPORATE GOVERNANCE REPORT

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2023.

The internal control team is responsible for performing internal audit function and conducting independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal control team examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

In addition, the Group has engaged an internal control adviser to assist the Group to review and provide recommendations on improving the Group's internal control system. The Group has improved its internal control system in accordance with the recommendation of such review.

The Board, as supported by the Audit Committee, reviewed the effectiveness of the risk management and internal control systems, including the financial, operational and compliance controls periodically during the Reporting Period and considered that such systems are effective and adequate for the purpose of financial reporting and Listing Rules compliance. The Board conducts such review at least once every year.

The Company has developed its inside information and disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries, and to ensure that inside information is disseminated to the public in fair and timely manner in accordance with applicable laws and regulations. Monitoring and control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence and anonymity, concerns about improprieties (such as criminal offences or financial impropriety) or other matters of the Company.

### COMPANY SECRETARY

The Company engages Ms. Lam Wai Yan as its company secretary. Her primary contact person at the Company was the chief financial officer (Mr. Zhou Chuanbo) during the Reporting Period. She has taken no less than 15 hours of relevant professional training to update her skills and knowledge in 2023.

## CORPORATE GOVERNANCE REPORT

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company, Ernst & Young, about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 90 to 94 of this annual report.

### AUDITOR'S REMUNERATION

A breakdown of the remuneration paid/payable to the external auditor of the Company, Ernst & Young, in respect of the following services for the Reporting Period is set out below:

<b>Services rendered</b>	<b>Remuneration paid and payable RMB'000</b>
Audit services	3,200
Non-audit services:	
Review of interim financial statements	750
Review of continuing connected transactions	100
<b>Total</b>	<b>4,050</b>

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS' RIGHTS

The Company engages with its Shareholders through various communication channels and a shareholders' communication policy is in place to ensure that the Shareholders' views and concerns are appropriately addressed.

To safeguard the Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings of the Company, including the election of individual Director. All resolutions put forward at general meetings of the Company will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting of the Company.

#### **Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals at Shareholders' Meetings**

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or add resolution specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### **Putting Forward Enquiries to the Board**

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company. The Company normally would not deal with verbal or anonymous enquiries.

## CORPORATE GOVERNANCE REPORT

### Contact Details

The Shareholders may send their enquiries or requests as mentioned above to the following:

Address: IVD Medical Holding Limited  
Room 1703  
Grandtech Centre  
8 On Ping Street  
Sha Tin, Hong Kong  
(For the attention to Directors' Office)

For the avoidance of doubt, the Shareholder(s) must deliver the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and must provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law or as may be appropriate.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings and other general meetings. The Directors (or their delegates as appropriate) will attend annual general meeting to meet the Shareholders and answer their enquiries.

The Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant law and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling the Shareholders and investors of the Company as well as the public to make rational and informed decisions.

The Company has reviewed the Shareholders and investors communication activities conducted in 2023 and was satisfied with the implementation and effectiveness of the Company's shareholders communication policy.



## CORPORATE GOVERNANCE REPORT

### COMPANY'S ARTICLES OF ASSOCIATION

There were no significant changes in the Company's Articles of Association during the Reporting Period.

*Note:*

The following changes in the Board composition took place after the Reporting Period:

Name	Directorship	Effective date
Mr. Sun Tao	Cessation – Non-executive Director	30 January 2024
Mr. Liu Fei	Appointment – Non-executive Director	8 March 2024
Mr. Yang Zhaoxu	Cessation – Non-executive Director	8 March 2024
Mr. Wong Sze Lok	Appointment – Independent non-executive Director	28 March 2024
Mr. Chan Siu Kei Ken	Appointment – Executive Director	28 March 2024
Mr. Law Kim Fai	Appointment – Executive Director	28 March 2024
Mr. Lau Siu Ki	Cessation – Independent non-executive Director	28 March 2024
Mr. Leung King Sun	Cessation – Executive Director	28 March 2024

Each of the Directors appointed after 1 January 2024 has obtained a legal advice from a firm of solicitors with reference to Rule 3.09D of the Listing Rules, and has confirmed that he understood his obligations as a director (for Mr. Liu Fei, on 8 March 2024, and for Mr. Wong Sze Lok, Mr. Chan Siu Kei Ken and Mr. Law Kim Fai, on 28 March 2024).

Mr. Wong has confirmed his independence in respect of the factors set out in Rule 3.13 of the Listing Rules. Having regard to the criteria under Rule 3.13 of the Listing Rules and the confirmation received, the Company considers Mr. Wong to be independent.

Mr. Wong became the chairman of the Audit Committee, the Remuneration Committee and a member of the Nomination Committee, with Mr. Lau Siu Ki stepped down from these positions from 28 March 2024.

Mr. Law became a member of the Remuneration Committee and an authorised representative, with Mr. Leung King Sun stepped down from these positions from 28 March 2024. Mr. Law has also been appointed as the chief financial officer, and a joint company secretary.

## INDEPENDENT AUDITOR'S REPORT



### To the shareholders of IVD Medical Holding Limited

(Incorporated in the Cayman Islands with limited liability)

### OPINION

We have audited the consolidated financial statements of IVD Medical Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 95 to 195, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Impairment assessment of goodwill and trademarks</i></b></p>	
<p>As at 31 December 2023, the Group had goodwill of RMB898.1 million and trademarks of RMB737.8 million, which related to the cash-generating unit (“CGU”) of distribution of IVD reagents and medical equipment (“Distribution CGU”).</p> <p>Given the size of the carrying values of the goodwill and trademarks, which have an indefinite useful life and are tested for impairment annually, the management of the Company engaged an external valuer to perform impairment assessments on goodwill and trademarks by using value in use calculations with cash flow projections based on financial budgets covering a five-year period.</p> <p>Based on the results of the impairment test, no impairment was considered necessary during the year.</p> <p>The impairment assessment has been identified as a key audit matter due to the significant estimations involved in the assessment of the recoverable amounts of goodwill and trademarks.</p> <p>The accounting policies and disclosures in relation to the impairment of goodwill and trademarks are included in notes 2.4, 2.5 and 14 to the consolidated financial statements.</p>	<p>We evaluated the impairment assessment performed by the management of the Company and our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• obtaining and reviewing the valuation report prepared by the external valuer engaged by the Group;</li> <li>• assessing the external valuer’s qualification, experience and expertise and considering its competence, objectivity and independence;</li> <li>• enquiring of management in relation to the key assumptions applied in the cash flow projections, such as the revenue growth rates and gross margins, and comparing them to historical information and our understanding of the latest market information and conditions;</li> <li>• involving our internal valuation specialists to assist us in the assessment of the methodologies and the discount rates used to determine the recoverable amounts; and</li> <li>• assessing the adequacy of the disclosures of the Group’s impairment assessment of goodwill and other intangible assets in the consolidated financial statements.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LAM, Wai Ming, Ada.

#### **Ernst & Young**

*Certified Public Accountants*

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

15 March 2024

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

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	4	<b>3,088,387</b>	2,748,809
Cost of sales		<b>(2,416,686)</b>	(2,140,668)
GROSS PROFIT		<b>671,701</b>	608,141
Other income and gains	5	<b>29,131</b>	26,016
Selling and distribution expenses		<b>(136,313)</b>	(117,239)
Administrative expenses		<b>(159,980)</b>	(152,917)
Reversal of impairment/(impairment) of trade receivables		<b>958</b>	(2,694)
Other expenses		<b>(1,838)</b>	(38,278)
Finance costs	6	<b>(21,040)</b>	(30,580)
Fair value loss on financial assets at fair value through profit or loss		<b>(20,631)</b>	(11,455)
Share of (losses)/profits of associates		<b>(16,837)</b>	495
Share of (loss)/profit of a joint venture		<b>(5,822)</b>	2,300
PROFIT BEFORE TAX	7	<b>339,329</b>	283,789
Income tax expense	10	<b>(102,203)</b>	(88,259)
PROFIT FOR THE YEAR		<b>237,126</b>	195,530
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>781</b>	(5,198)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary		<b>1,691</b>	–
		<b>2,472</b>	(5,198)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company's financial statements		<b>(2,405)</b>	47,283
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<b>67</b>	42,085
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<b>237,193</b>	237,615

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

Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Profit attributable to:			
Owners of the parent		<b>238,163</b>	209,999
Non-controlling interests		<b>(1,037)</b>	(14,469)
		<b>237,126</b>	195,530
Total comprehensive income attributable to:			
Owners of the parent		<b>238,230</b>	252,084
Non-controlling interests		<b>(1,037)</b>	(14,469)
		<b>237,193</b>	237,615
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		<b>RMB17.62 cents</b>	RMB15.61 cents
Diluted		<b>RMB17.62 cents</b>	RMB15.50 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	<b>91,448</b>	83,103
Intangible assets	14	<b>1,635,885</b>	1,635,885
Investments in associates	15	<b>10,123</b>	17,460
Investment in a joint venture	16	<b>33,197</b>	38,447
Financial assets at fair value through profit or loss	17	<b>25,256</b>	59,378
Deferred tax assets	25	<b>6,930</b>	5,366
<b>Total non-current assets</b>		<b>1,802,839</b>	1,839,639
<b>CURRENT ASSETS</b>			
Inventories	18	<b>1,109,554</b>	628,622
Trade receivables	19	<b>532,158</b>	566,796
Prepayments and other receivables	20	<b>42,740</b>	240,693
Pledged deposits	21	<b>72,975</b>	17,901
Cash and cash equivalents	21	<b>1,224,786</b>	1,020,626
<b>Total current assets</b>		<b>2,982,213</b>	2,474,638
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	22	<b>506,567</b>	324,054
Other payables and accruals	23	<b>330,790</b>	253,722
Interest-bearing bank borrowings	24	<b>319,896</b>	329,497
Tax payable		<b>41,869</b>	37,891
<b>Total current liabilities</b>		<b>1,199,122</b>	945,164
<b>NET CURRENT ASSETS</b>		<b>1,783,091</b>	1,529,474
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,585,930</b>	3,369,113

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals	23	<b>13,289</b>	12,566
Deferred tax liabilities	25	<b>186,752</b>	203,083
<b>Total non-current liabilities</b>		<b>200,041</b>	215,649
<b>Net assets</b>		<b>3,385,889</b>	3,153,464
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	26	<b>4,637</b>	4,637
Reserves	29	<b>3,340,298</b>	3,148,749
		<b>3,344,935</b>	3,153,386
<b>Non-controlling interests</b>		<b>40,954</b>	78
<b>Total equity</b>		<b>3,385,889</b>	3,153,464

.....  
**Mr. Ho Kuk Sing**  
*Director*

.....  
**Mr. Leung King Sun**  
*Director*



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

Notes	Attributable to owners of the parent												
	Share capital	Share premium	Shares held for		Capital reserve	Statutory reserve	Share option reserve	Award share reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
			Award Scheme	Merger reserve									
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
	(note 26)	(note 29)	(note 28)	(note 29)	(note 29)	(note 29)	(note 29)	(note 29)	(note 29)	(note 29)	(note 29)	(note 29)	(note 29)
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 year	-	-	-	-	-	-	-	-	-	238,163	238,163	(1,037)	237,126
Other comprehensive income/ (loss) for the year:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	781	-	781	-	781
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	-	-	-	-	-	-	-	-	1,691	-	1,691	-	1,691
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	-	-	-	(2,405)	-	(2,405)	-	(2,405)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	67	238,163	238,230	(1,037)	237,193
Purchase of shares for the Award Scheme	28	-	(263)	-	-	-	-	-	-	-	(263)	-	(263)
Final 2022 dividend	11	(67,570)	-	-	-	-	-	-	-	-	(67,570)	-	(67,570)
Interim 2023 dividend	11	(36,935)	-	-	-	-	-	-	-	-	(36,935)	-	(36,935)
Deemed disposal of partial interests in a subsidiary	30	-	-	-	58,087	-	-	-	-	-	58,087	41,913	100,000
Transfer from retained profits	-	-	-	-	-	653	-	-	-	(653)	-	-	-
At 31 December 2023	4,637	2,224,295*	(1,820)*	60,700*	44,320*	26,440*	37,166*	50,456*	8,632*	890,109*	3,344,935	40,954	3,385,889

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent													
	Notes	Share capital		Shares held for			Statutory reserve	Share option reserve	Award share reserve	Exchange fluctuation reserve	Retained profits	Non-controlling interests	Total equity	
		RMB'000	RMB'000	Award Scheme	Merger reserve	Capital reserve								RMB'000
		(note 26)	(note 29)	(note 28)	(note 29)	(note 29)	(note 29)	(note 29)	(note 29)	(note 29)				
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 year		-	-	-	-	-	-	-	-	-	209,999	209,999	(14,469)	195,530
Other comprehensive income/ (loss) for the year:														
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(5,198)	-	(5,198)	-	(5,198)
Exchange differences on translation of the Company's financial statements		-	-	-	-	-	-	-	-	47,283	-	47,283	-	47,283
Total comprehensive income for the year		-	-	-	-	-	-	-	-	42,085	209,999	252,084	(14,469)	237,615
Issuance of new shares upon exercise of share options	26	5	5,019	-	-	-	-	(1,077)	-	-	-	3,947	-	3,947
Vesting of shares under the Award Scheme		-	-	92	-	-	-	-	(92)	-	-	-	-	-
Purchase of shares for the Award Scheme	28	-	-	(1,551)	-	-	-	-	-	-	-	(1,551)	-	(1,551)
Employee share-based compensation benefits under the Award Scheme	28	-	-	-	-	-	-	-	11,993	-	-	11,993	-	11,993
Final 2021 dividend	11	-	(59,917)	-	-	-	-	-	-	-	-	(59,917)	-	(59,917)
Interim 2022 dividend	11	-	(32,035)	-	-	-	-	-	-	-	-	(32,035)	-	(32,035)
Transfer from retained profits		-	-	-	-	-	892	-	-	-	(892)	-	-	-
At 31 December 2022		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

\* These reserve accounts comprise the consolidated reserves of RMB3,340,298,000 (2022: RMB3,148,749,000) in the consolidated statement of financial position.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>339,329</b>	283,789
Adjustments for:			
Finance costs	6	<b>21,040</b>	30,580
Share of losses/(profits) of associates		<b>16,837</b>	(495)
Share of loss/(profit) of a joint venture		<b>5,822</b>	(2,300)
Interest income	5	<b>(2,910)</b>	(1,972)
(Gain)/loss on disposal of items of property, plant and equipment, net	7	<b>(141)</b>	5
Fair value loss on financial assets at fair value through profit or loss		<b>20,631</b>	11,455
(Reversal of impairment)/impairment of trade receivables	7	<b>(958)</b>	2,694
Loss on deregistration of a subsidiary	7	<b>1,838</b>	–
Write-off of prepayments	7	–	7,495
Write-down of inventories to net realisable value	7	<b>4,239</b>	955
Depreciation of owned assets	7	<b>23,968</b>	21,007
Depreciation of right-of-use assets	7	<b>13,591</b>	12,745
Gain on termination/modification of lease contracts	5	<b>(7)</b>	(82)
Amortisation of intangible assets	7	–	1,537
Impairment of property, plant and equipment	7	–	3,542
Impairment of intangible assets	7	–	16,901
Employee share-based compensation benefits under the Award Scheme	7	–	11,993
		<b>443,279</b>	399,849
(Increase)/decrease in inventories		<b>(485,145)</b>	43,106
Decrease/(increase) in trade receivables		<b>36,698</b>	(16,131)
Decrease in prepayments and other receivables		<b>197,396</b>	98,975
Increase/(decrease) in trade and bills payables		<b>179,550</b>	(175,212)
Increase/(decrease) in other payables and accruals		<b>36,817</b>	(11,244)
		<b>408,595</b>	339,343
Cash generated from operations		<b>408,595</b>	339,343
Income tax paid		<b>(116,171)</b>	(89,672)
		<b>292,424</b>	249,671
Net cash flows from operating activities		<b>292,424</b>	249,671

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		<b>(40,508)</b>	(34,285)
Proceeds from disposal of items of property, plant and equipment		<b>11,176</b>	2,547
Proceeds from disposal of financial assets at fair value through profit or loss		<b>13,812</b>	12,177
Repayment from/(advance to) associates		<b>171</b>	(158)
Investments in associates		<b>(9,500)</b>	(14,100)
Investment in a joint venture		<b>(572)</b>	(14,000)
Interest received		<b>2,910</b>	1,972
(Increase)/decrease in pledged deposits		<b>(55,074)</b>	106,383
<b>Net cash flows (used in)/from investing activities</b>		<b>(77,585)</b>	60,536
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of new ordinary shares	26	–	3,947
Purchases of shares for the Award Scheme	28	<b>(263)</b>	(1,551)
New bank loans		<b>1,349,940</b>	1,255,489
Repayment of bank loans		<b>(1,359,541)</b>	(1,350,406)
Advance from shareholders		<b>251</b>	86
Principal portion of lease payments		<b>(12,454)</b>	(15,309)
Dividends paid		<b>(76,346)</b>	(52,963)
Interest paid	6	<b>(21,040)</b>	(30,580)
Proceeds from deemed partial disposal of interests in a subsidiary	30	<b>100,000</b>	–
<b>Net cash flows used in financing activities</b>		<b>(19,453)</b>	(191,287)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>195,386</b>	118,920
Cash and cash equivalents at beginning of year		<b>1,020,626</b>	834,626
Effect of foreign exchange rate changes, net		<b>8,774</b>	67,080
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>1,224,786</b>	1,020,626
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	21	<b>1,105,742</b>	1,020,626
Non-pledged time deposits with original maturity of less than three months when acquired	21	<b>119,044</b>	–
<b>Cash and cash equivalents as stated in the statement of financial position</b>		<b>1,224,786</b>	1,020,626

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 1. CORPORATE INFORMATION

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

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

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital/ contributed capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
IVD International Limited	Hong Kong	HK\$10,000	100	–	Investment holding
IVD China Limited	Hong Kong	HK\$24,051,250	100	–	Sale of medical equipment and consumables
Vastec Medical Limited	Hong Kong	HK\$10,000	100	–	Sale of medical equipment and consumables, and provision of after-sales services related to medical equipment



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 1. CORPORATE INFORMATION *(Continued)*

### Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital/ contributed capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dacheng Medical Equipments (Shanghai) Co., Ltd.*# 達承醫療設備(上海)有限公司	People's Republic of China ("PRC")/ Chinese Mainland	RMB50,000,000	–	100	Sale of medical equipment and consumables, and provision of after-sales services related to medical equipment
Suzhou DiagVita Biotechnology Co., Ltd.** 蘇州德沃生物技術有限公司	PRC/ Chinese Mainland	RMB20,046,519	–	51	Manufacture and sale of medical equipment and consumables
Vastec Medical Equipment (Shanghai) Co., Ltd. ("Vastec SH")*+ 威士達醫療設備(上海)有限公司	PRC/ Chinese Mainland	US\$315,790	–	95	Sale of medical equipment and consumables, and provision of after-sales services related to medical equipment
Yunnan Vastec Medical Equipment Co. Ltd.*# 雲南威士達醫療設備有限公司	PRC/ Chinese Mainland	RMB30,000,000	–	66.5**	Sale of medical equipment and consumables

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 1. CORPORATE INFORMATION (Continued)

## Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital/ contributed capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bazoe Medical Co., Ltd. ("Bazoe")* 貝知(上海)醫療科技有限公司	PRC/ Chinese Mainland	RMB20,000,000	–	48.45**	Sale of medical equipment and consumables and research and development
Jiaxing Huineng Investment Partner (Limited Partner)* 嘉興惠能股權投資合夥企業(有限合夥)	PRC/ Chinese Mainland	–	–	95**	Investment in private funds
Langmai (Shandong) Biotechnology Co., Ltd.* ("Langmai") 朗邁(山東)生物科技有限公司	PRC/ Chinese Mainland	RMB10,000,000	–	48.45**	Sale of medical equipment and consumables and research and development

\* The English names of the companies are direct translations of their Chinese names as no English names have been registered or are available.

\*\* These companies are subsidiaries of a non-wholly-owned subsidiary of the Company and, accordingly, accounted for as subsidiaries by virtue of the Company's control over them.

# A wholly-foreign-owned enterprise under PRC law.

+ A Sino-foreign equity joint venture under PRC law.

^ A limited liability company under PRC law.

@ A limited partnership under PRC law.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 1. CORPORATE INFORMATION *(Continued)*

### Information about subsidiaries *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries has issued any debt securities at the end of the year.

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

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

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.1 BASIS OF PREPARATION *(Continued)*

### **Basis of consolidation** *(Continued)*

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	<i>Insurance Contracts</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>

The nature and the 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(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.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 25 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

- (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. 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.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>1</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")<sup>1</sup></i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")<sup>1</sup></i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements<sup>1</sup></i>
Amendments to IAS 21	<i>Lack of Exchangeability<sup>2</sup></i>

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES

#### Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Business combinations and goodwill** *(Continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to profit or loss in the period in which it arises.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

#### *Owned assets*

Fixtures and furniture	10%
Service equipment	20%
Plant and machinery	20% – 33.3%
Office equipment	20% – 33.3%
Motor vehicles	20%
Leasehold improvement	25%

#### *Rights-of-use assets*

Buildings	Over the lease term of 2 to 7 years
Service equipment	5 years or over the lease term, whichever is shorter

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities and are included in property, plant and equipment. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### **Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

#### **Research and development costs**

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Intangible assets (other than goodwill)** *(Continued)*

##### **Trademarks**

Trademarks acquired in a business combination are registered in the PRC and the current registration will expire in 2026. In the opinion of directors, the Group will not incur significant costs to renew the registration of the trademarks which is a routine administrative procedure. The Group would review the trademarks continuously and has the ability to do so. Accordingly, the trademarks are deemed to have an indefinite useful life and are stated at fair value at the date of acquisition less any subsequent accumulated impairment losses.

##### **Patents**

Purchased patents are stated at fair value at the date of acquisition less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 12 years.

##### **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### **The Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component, the Group adopts the practical expedient not to separate non-lease component and to account for the lease component and the associated non-lease component (e.g., property management services for leases of properties) as a single lease component.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Leases *(Continued)*

##### The Group as a lessee *(Continued)*

###### *(a) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in other payables and accruals.

###### *(b) Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases and leases of low-value assets that are not capitalised are recognised as an expense on a straight-line basis over the lease term.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Investments and other financial assets**

##### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

##### **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### Investments and other financial assets *(Continued)*

#### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Derecognition of financial assets** *(Continued)*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### **General approach**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### **Impairment of financial assets** *(Continued)*

#### **General approach** *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

#### **Simplified approach**

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables.

All financial liabilities are recognised initially at fair value and, in case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank borrowings.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Financial liabilities** *(Continued)*

##### **Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as follows:

##### **Financial liabilities at amortised cost (trade and other payables, and borrowings)**

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the EIR method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

##### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

##### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### **Treasury shares and shares held for a share award scheme ("Award Scheme")**

Own equity instruments which are reacquired and held by the Company (treasury shares and shares held for Award Scheme) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of the Group's own equity instruments.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Income tax** *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### **Income tax** *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### **Revenue recognition**

#### **Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Revenue recognition *(Continued)*

##### Revenue from contracts with customers *(Continued)*

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

##### Sales of goods

Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

##### Provision of after-sales services

Revenue from provision of after-sales services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

##### Other income

Interest income is recognised on an accrual basis using the EIR method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms.

##### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### Share-based payments

The Company operates share option schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Share-based payments** *(Continued)*

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options and award shares (“Awarded Shares”) is reflected as additional share dilution in the computation of earnings per share.

#### **Other employee benefits**

##### **Pension schemes**

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiary which operates in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

##### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Foreign currencies

These financial statements are presented in RMB, while the functional currency of the Company is Hong Kong dollar (“HK\$”). As the major revenues and assets of the Group are derived from operations in the Chinese Mainland, RMB is chosen as the presentation currency to present the financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain Hong Kong subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Foreign currencies *(Continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and Hong Kong subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and Hong Kong subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

### 2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### **Derecognition of financial assets – Receivable purchase arrangement**

The Group has entered into certain receivable purchase arrangements with a financial institution on its trade receivables. As at 31 December 2023, the Group has determined that it has transferred substantially all risks and rewards of ownership associated with certain trade receivables factored to a financial institution under these arrangements. Accordingly, the relevant trade receivables with an aggregate carrying amount of RMB50,044,000 (2022: RMB1,372,000) are fully derecognised. Further details are given in note 19 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### *Judgements (Continued)*

#### **Assessment of fund investments as structured entities**

Management has assessed whether the funds in which it invests should be classified as structured entities. Management has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. Judgement is made on an individual investment in each fund where the Group has ownership interest. Management has evaluated whether these rights of investors are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. As at 31 December 2023, having considered the fact patterns surrounding each of the investment funds in which the Group has interest, the Group considers that it controls one (2022: one) investment fund and has joint control over one (2022: one) investment fund.

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

#### **Estimation uncertainty** *(Continued)*

##### **Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 14 to the financial statements. Significant judgements and estimation are involved in the assessment of their recoverable amounts.

##### **Impairment of intangible assets (other than goodwill)**

The Group assesses whether there are any indicators of impairment of all intangible assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Intangible assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Given that the intangible assets relating to the Distribution CGU are with indefinite useful lives, the management of the Company performed an impairment assessment on the intangible assets of the Distribution CGU. This requires an estimation of the value in use of the CGU to which the intangible assets belong. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 14 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 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

	2023 RMB'000	2022 RMB'000
Chinese Mainland	3,075,304	2,747,574
Others	13,083	1,235
<b>Total revenue</b>	<b>3,088,387</b>	2,748,809

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

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

	2023 RMB'000	2022 RMB'000
Chinese Mainland	1,765,767	1,769,320
Others	4,886	5,575
<b>Total non-current assets</b>	<b>1,770,653</b>	1,774,895

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

#### Information about major customers

During the years ended 31 December 2023 and 2022, no revenue from transactions with a single external customer accounted for 10% or more of the total revenue of the Group.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 4. REVENUE

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
<i>Revenue from contracts with customers</i>		
Sales of trading goods	2,898,390	2,575,382
Sales of manufactured goods	10,623	6,258
Provision of after-sales services	179,374	167,169
Total revenue	3,088,387	2,748,809

#### Revenue from contracts with customers

##### (i) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
<b>Types of goods and services</b>		
Sales of medical equipment	332,385	362,252
Sales of medical consumables	2,576,628	2,219,388
Provision of after-sales services	179,374	167,169
Total revenue from contracts with customers	3,088,387	2,748,809
<b>Types of customers</b>		
Sales to hospitals and healthcare institutions	378,536	282,912
Sales to logistics providers	165,616	120,963
Sales to distributors	2,364,861	2,177,765
Sales to service customers	179,374	167,169
Total revenue from contracts with customers	3,088,387	2,748,809
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	2,909,013	2,581,640
Services transferred over time	179,374	167,169
Total revenue from contracts with customers	3,088,387	2,748,809

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 4. REVENUE *(Continued)*

### Revenue from contracts with customers *(Continued)*

#### (i) Disaggregated revenue information *(Continued)*

The following table shows the amounts of revenue recognised during the year that were included in the contract liabilities at the beginning of that period:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
– Sales of goods	<b>36,937</b>	24,253

#### (ii) Performance obligations

Information about the Group's performance obligations is summarised below:

##### (i) Sales of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally in advance or due within 120 days from delivery.

##### (ii) Provision of after-sales services

The performance obligation is satisfied over time in which the services are rendered. After-sales service contracts are billed for a period of one year or less, or are billed based on the time incurred.

No performance obligation was unsatisfied or partially unsatisfied as at 31 December 2023.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 5. OTHER INCOME AND GAINS

	2023 RMB'000	2022 RMB'000
<b>Other income</b>		
Bank interest income	2,910	1,972
Government subsidies*	15,996	23,186
Rental income	301	629
Others	576	147
<b>Total other income</b>	<b>19,783</b>	25,934
<b>Gains</b>		
Gain on termination/modification of lease contracts	7	82
Gain on disposal of items of property, plant and equipment, net	141	–
Foreign exchange differences, net	9,200	–
<b>Total gains</b>	<b>9,348</b>	82
<b>Total other income and gains</b>	<b>29,131</b>	26,016

\* 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.

### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	19,944	29,404
Interest on lease liabilities	993	1,176
Interest on factored trade receivables	103	–
<b>Total</b>	<b>21,040</b>	30,580

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 7. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold*		<b>2,319,546</b>	2,070,006
Cost of services provided*		<b>97,140</b>	70,662
Depreciation of owned assets	13	<b>23,968</b>	21,007
Depreciation of right-of-use assets	13	<b>13,591</b>	12,745
Amortisation of intangible assets	14	–	1,537
Research and development costs		<b>8,665</b>	7,219
Lease payments not included in the measurement of lease liabilities		<b>13,841</b>	12,179
Auditors' remuneration		<b>3,200</b>	3,400
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries*****		<b>148,939</b>	136,929
Employee share-based compensation benefits under the Award Scheme		–	11,993
Pension scheme contributions*****		<b>34,930</b>	28,595
Total		<b>183,869</b>	177,517
Foreign exchange differences, net		<b>(9,200)***</b>	10,335**
(Reversal of impairment)/impairment of trade receivables	18	<b>(958)</b>	2,694
Impairment of property, plant and equipment**	13	–	3,542
Impairment of intangible asset**	14	–	16,901
Write-off of prepayments**		–	7,495
Write-down of inventories to net realisable value****		<b>4,239</b>	955
Loss on deregistration of a subsidiary**	30	<b>1,838</b>	–
(Gain)/loss on disposal of items of property, plant and equipment, net		<b>(141)***</b>	5**
Fair value loss on financial assets at fair value through profit or loss		<b>20,631</b>	11,455

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 7. PROFIT BEFORE TAX *(Continued)*

- \* These items are included in “Cost of sales” on the face of the consolidated statement of profit or loss and other comprehensive income.
- \*\* These items are included in “Other expenses” on the face of the consolidated statement of profit or loss and other comprehensive income.
- \*\*\* These items are included in “Other income and gains” on the face of the consolidated statement of profit or loss and other comprehensive income.
- \*\*\*\* This item is included in “Cost of inventories sold” above.
- \*\*\*\*\* In 2022, the Group successfully applied for the funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. The amount of RMB293,000 was recognised in “Administrative expenses” and has been offset with the employee benefit expense.
- \*\*\*\*\* At 31 December 2023 and 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Fees	<b>504</b>	504
Other emoluments:		
Salaries, allowances and benefits in kind	<b>8,257</b>	8,271
Performance-related bonuses	–	2,101
Pension scheme contributions	<b>167</b>	153
Sub-total	<b>8,424</b>	10,525
Total fees and other emoluments	<b>8,928</b>	11,029

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

#### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 RMB'000	2022 RMB'000
Mr. Lau Siu Ki	264	264
Mr. Zhong Renqian	120	120
Mr. Leung Ka Sing	120	120
<b>Total</b>	<b>504</b>	504

There were no other emoluments paid or payable to the independent non-executive directors of the Company during the year (2022: Nil).

#### (b) Executive directors, non-executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Performance- related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023				
Executive directors:				
Mr. Ho Kuk Sing <sup>#</sup>	3,692	–	8	3,700
Mr. Leung King Sun	2,564	–	–	2,564
Mr. Lin Xianya	2,001	–	159	2,160
<b>Sub-total</b>	<b>8,257</b>	<b>–</b>	<b>167</b>	<b>8,424</b>
Non-executive directors:				
Mr. Yang Zhaoxu <sup>***</sup>	–	–	–	–
Ms. Yao Haiyun	–	–	–	–
Mr. Chan Kwok King, Kingsley <sup>*</sup>	–	–	–	–
Mr. Sun Tao <sup>**</sup>	–	–	–	–
<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>8,257</b>	<b>–</b>	<b>167</b>	<b>8,424</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

## (b) Executive directors, non-executive directors and the chief executive (Continued)

	Salaries, allowances and benefits in kind RMB'000	Performance- related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022				
Executive directors:				
Mr. Ho Kuk Sing <sup>#</sup>	3,685	951	15	4,651
Mr. Leung King Sun	2,559	627	5	3,191
Mr. Lin Xianya	2,027	523	133	2,683
Sub-total	8,271	2,101	153	10,525
Non-executive directors:				
Mr. Yang Zhaoxu	–	–	–	–
Ms. Yao Haiyun	–	–	–	–
Mr. Chan Kwok King, Kingsley <sup>*</sup>	–	–	–	–
Mr. Sun Tao <sup>**</sup>	–	–	–	–
Sub-total	–	–	–	–
Total	8,271	2,101	153	10,525

<sup>#</sup> Mr. Ho Kuk Sing is also the chief executive of the Company.

<sup>\*</sup> Mr. Chan Kwok King, Kingsley resigned as a non-executive director of the Company on 17 August 2023.

<sup>\*\*</sup> Mr. Sun Tao was appointed as a non-executive director of the Company on 17 August 2023, and subsequently resigned on 30 January 2024.

<sup>\*\*\*</sup> Mr. Yang Zhaoxu resigned as a non-executive director of the Company on 8 March 2024.

There were emoluments payable of RMB8,291,000 to the executive directors of the Company as at 31 December 2023 (31 December 2022: RMB7,061,000).

During the year, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2022: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Salaries, allowances and benefits in kind	<b>1,487</b>	1,849
Performance-related bonuses	<b>2,460</b>	900
Pension scheme contributions	<b>273</b>	264
Employee share-based compensation benefit under the Award Scheme (as herein defined in note 28)	–	1,235
<b>Total</b>	<b>4,220</b>	4,248

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	<b>Number of employees</b>	
	<b>2023</b>	2022
HK\$2,000,001 to HK\$2,500,000	<b>2</b>	1
HK\$2,500,001 to HK\$3,000,000	–	1
<b>Total</b>	<b>2</b>	2

In the prior year, Awarded Shares (as herein defined in note 28) were granted to employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such Awarded Shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Tax on profits assessable in Chinese Mainland has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the year.

	2023 RMB'000	2022 RMB'000
Current – Hong Kong		
Overprovision in prior years	(1,914)	–
Charge for the year	4,184	2,308
Current – Chinese Mainland		
Underprovision in prior years	516	8,974
Charge for the year	117,312	80,645
Deferred (note 25)	(17,895)	(3,668)
<b>Total tax charge for the year</b>	<b>102,203</b>	<b>88,259</b>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, is as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	339,329	283,789
Tax at the statutory tax rate	84,266	70,031
Lower tax rate for specific provinces or enacted by local authority	(148)	(141)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	2,726	187
Adjustment in respect of current tax of previous periods	(1,399)	8,974
Profits and losses attributable to associates and joint venture	5,633	(524)
Income not subject to tax	(262)	(193)
Expense not deductible for tax	4,086	1,700
Tax losses utilised from previous periods	816	–
Tax losses not recognised	6,485	8,225
<b>Tax charge at the Group's effective rate</b>	<b>102,203</b>	<b>88,259</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 10. INCOME TAX *(Continued)*

For the year ended 31 December 2023, the weighted average applicable tax rate was 24.8% (2022: 24.7%).

The share of tax attributable to the associates amounting to RMB5,000 (2022: RMB48,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income. No share of tax was attributable to the joint venture for the years ended 31 December 2023 and 2022.

### 11. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Interim – HK2.970 cents (2022 interim: HK2.729 cents) per ordinary share	<b>36,935</b>	32,035
Proposed final (HK6.209 cents) (2022: HK5.556 cents) per ordinary share	<b>76,314</b>	67,570
	<b>113,249</b>	99,605

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

### 12. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 December 2022, 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 Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2023.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

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

	2023 RMB'000	2022 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<b>238,163</b>	209,999
<b>Number of shares</b>		
	2023	2022
<b>Shares</b>		
Weighted average number of ordinary shares in issue less shares held for Award Scheme held by the Company during the year used in the basic earnings per share calculation	<b>1,351,885,316</b>	1,344,983,241
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the year	–	2,999,126
Assumed issue at no consideration on deemed vesting of all Awarded Shares outstanding during the year	–	6,986,786
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<b>1,351,885,316</b>	1,354,969,153

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets			Owned assets							Total	Total
	Buildings	Service equipment	Total	Fixtures and furniture	Service equipment	Plant and machinery	Office equipment	Motor vehicles	Leasehold improvements			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2023</b>												
At 1 January 2023												
Cost	38,413	9,388	47,801	434	164,289	8,106	3,454	8,832	7,340	192,455	240,256	
Accumulated depreciation and impairment	(19,005)	(6,087)	(25,092)	(80)	(114,372)	(5,890)	(2,251)	(4,175)	(5,293)	(132,061)	(157,163)	
Net carrying amount	19,408	3,301	22,709	354	49,917	2,216	1,203	4,657	2,047	60,394	83,103	
At 1 January 2023	19,408	3,301	22,709	354	49,917	2,216	1,203	4,657	2,047	60,394	83,103	
Additions	13,722	2,968	16,690	35	27,225	3,282	1,314	6,135	2,517	40,508	57,198	
Depreciation provided during the year	(11,688)	(1,903)	(13,591)	(173)	(18,211)	(670)	(1,696)	(1,960)	(1,258)	(23,968)	(37,559)	
Disposals/write-off	-	-	-	(1)	(10,839)	(25)	(128)	(42)	-	(11,035)	(11,035)	
Write-off of deregistration of a subsidiary	-	-	-	-	-	(30)	(1)	-	-	(31)	(31)	
Lease termination	(235)	-	(235)	-	-	-	-	-	-	-	(235)	
Exchange realignment	7	-	7	-	-	-	-	-	-	-	7	
At 31 December 2023, net of accumulated depreciation	21,214	4,366	25,580	215	48,092	4,773	692	8,790	3,306	65,868	91,448	
At 31 December 2023												
Cost	41,800	12,167	53,967	465	178,036	9,381	4,102	12,907	7,657	212,548	266,515	
Accumulated depreciation and impairment	(20,586)	(7,801)	(28,387)	(250)	(129,944)	(4,608)	(3,410)	(4,117)	(4,351)	(146,680)	(175,067)	
Net carrying amount	21,214	4,366	25,580	215	48,092	4,773	692	8,790	3,306	65,868	91,448	

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Right-of-use assets			Owned assets							
	Buildings	Service equipment	Total	Fixtures and furniture	Service equipment	Plant and machinery	Office equipment	Motor vehicles	Leasehold improvements	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2022</b>											
At 1 January 2022											
Cost	48,752	9,388	58,140	1,800	171,148	13,477	8,703	15,320	4,559	215,007	273,147
Accumulated depreciation and impairment	(34,785)	(4,207)	(38,992)	(1,270)	(130,804)	(12,441)	(6,782)	(9,160)	(2,003)	(162,460)	(201,452)
Net carrying amount	13,967	5,181	19,148	530	40,344	1,036	1,921	6,160	2,556	52,547	71,695
At 1 January 2022	13,967	5,181	19,148	530	40,344	1,036	1,921	6,160	2,556	52,547	71,695
Additions	16,365	-	16,365	11	28,258	1,762	1,409	64	2,781	34,285	50,650
Depreciation provided during the year	(10,865)	(1,880)	(12,745)	(184)	(16,158)	(512)	(1,221)	(1,512)	(1,420)	(21,007)	(33,752)
Disposals/write-off	-	-	-	(3)	(2,500)	(45)	(4)	-	-	(2,552)	(2,552)
Impairment	(664)	-	(664)	-	(27)	(23)	(903)	(55)	(1,870)	(2,878)	(3,542)
Lease modification	619	-	619	-	-	-	-	-	-	-	619
Exchange realignment	(14)	-	(14)	-	-	(2)	1	-	-	(1)	(16)
At 31 December 2022, net of accumulated depreciation	19,408	3,301	22,709	354	49,917	2,216	1,203	4,657	2,047	60,394	83,103
At 31 December 2022											
Cost	38,413	9,388	47,801	434	164,289	8,106	3,454	8,832	7,340	192,455	240,256
Accumulated depreciation and impairment	(19,005)	(6,087)	(25,092)	(80)	(114,372)	(5,890)	(2,251)	(4,175)	(5,293)	(132,061)	(157,153)
Net carrying amount	19,408	3,301	22,709	354	49,917	2,216	1,203	4,657	2,047	60,394	83,103



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 14. INTANGIBLE ASSETS

	Goodwill RMB'000	Trademarks RMB'000	Total RMB'000
<b>31 December 2023</b>			
Cost at 1 January and 31 December 2023, net of accumulated amortisation and impairment	<b>898,083</b>	<b>737,802</b>	<b>1,635,885</b>
At 31 December 2023			
Cost	<b>898,083</b>	<b>737,802</b>	<b>1,635,885</b>
Accumulated amortisation and impairment	–	–	–
Net carrying amount	<b>898,083</b>	<b>737,802</b>	<b>1,635,885</b>

	Goodwill RMB'000	Trademarks RMB'000	Patents RMB'000	Total RMB'000
<b>31 December 2022</b>				
Cost at 1 January 2022, net of accumulated amortisation and impairment	898,083	737,802	18,438	1,654,323
Amortisation provided during the year	–	–	(1,537)	(1,537)
Impairment during the year	–	–	(16,901)	(16,901)
At 31 December 2022	898,083	737,802	–	1,635,885
At 31 December 2022				
Cost	898,083	737,802	19,206	1,655,091
Accumulated amortisation and impairment	–	–	(19,206)	(19,206)
Net carrying amount	898,083	737,802	–	1,635,885

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 14. INTANGIBLE ASSETS (Continued)

#### Impairment testing of intangible assets

During the year, the Group has performed impairment testing for the following cash generating units (“CGU”):

#### Distribution CGU

Goodwill acquired through business combinations has been allocated to the distribution of IVD reagents and medical equipment cash-generating unit (“Distribution CGU”).

Trademarks were purchased as part of the step acquisition of Vastec and its subsidiary in January 2019 and were recognised at their fair values at the date of acquisition. The directors of the Company are of the opinion that the upkeep of these trademarks is at minimal cost and the Group would renew these trademarks continuously. These trademarks are considered by the management of the Group as having an indefinite useful life and will not be amortised until their useful life is determined to be finite upon reassessment of their useful life annually by management. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. Trademarks acquired through business combination have been allocated to the Distribution CGU for impairment testing.

The carrying amount of goodwill is allocated to the following cash-generating unit:

	2023 RMB'000	2022 RMB'000
Distribution CGU	<b>898,083</b>	898,083

The carrying amount of intangible assets with an indefinite useful life is allocated to the following cash-generating unit:

	2023 RMB'000	2022 RMB'000
Distribution CGU	<b>737,802</b>	737,802

During the year, the management of the Company determined that there was no impairment of goodwill and trademarks in the Distribution CGU.

The recoverable amount of the Distribution CGU has been determined by Colliers International (Hong Kong) Limited, an independent professionally qualified valuer for the year ended 31 December 2023 (2022: Roma Appraisals Limited). The recoverable amount is based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The average growth rate applied to the cash flow projection was 12.6% (2022: 12.0%). The discount rate applied to the cash flow projection was 17.8% (2022: 19.9%). The growth rate used to extrapolate the cash flows of this CGU beyond the five-year period was 2.2% (2022: 2.0%).

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 14. INTANGIBLE ASSETS *(Continued)*

#### Impairment testing of intangible assets *(Continued)*

##### Microbiology CGU

During the year ended 31 December 2022, full impairment of RMB16.9 million was made for the patents in the Microbiology CGU, as a result of loss-making and sales of new products of the Microbiology CGU was significantly less than expected during the year ended 31 December 2022.

Assumptions were used in the value-in-use calculation of the Distribution CGU for the year. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Forecasted growth rates – The rates are based on historical operating results, expected market development as well as industry forecast.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development of the medical equipment and consumables industry.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units. The values assigned to the key assumptions on market development of the medical equipment and consumables industry and discount rates are consistent with external information sources.

### 15. INVESTMENTS IN ASSOCIATES

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2023 RMB'000	2022 RMB'000
Share of the associates' (loss)/profit for the year	<b>(16,837)</b>	495
Aggregate carrying amount of the Group's investments in the associates	<b>10,123</b>	17,460

## NOTES TO FINANCIAL STATEMENTS

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### 16. INVESTMENT IN A JOINT VENTURE

The following table illustrates the aggregate summarised financial information of the Group's joint venture that is not individually material:

	2023 RMB'000	2022 RMB'000
Share of the joint venture's (loss)/profit for the year	<b>(5,822)</b>	2,300
Aggregate carrying amount of the Group's investment in a joint venture	<b>33,197</b>	38,447

### 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Unlisted fund investments	<b>15,239</b>	36,130
Unlisted equity investments	<b>10,017</b>	23,248
Total	<b>25,256</b>	59,378

The above unlisted fund and equity investments at 31 December 2023 and 2022 were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

### 18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	<b>2,889</b>	2,710
Finished goods	<b>1,106,665</b>	625,912
Total	<b>1,109,554</b>	628,622

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 19. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	<b>535,827</b>	572,218
Impairment	<b>(3,669)</b>	(5,422)
Net carrying amount	<b>532,158</b>	566,796

The majority of the Group's sales of products were mainly made on the payment-in-advance basis or granted with credit periods ranging from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. There is a certain concentration of credit risk. The total trade receivables from the five largest debtors at 31 December 2023 represented 41.1% (2022: 42.5%) of the total trade receivables, while 17.6% (2022: 13.4%) of the total trade receivables was due from the largest debtor.

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

Included in the Group's trade receivables are amount due from the Group's associate of RMB3,000 in 2022 which are repayable on credit term similar to those offered to the major customers of the Group.

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

	2023 RMB'000	2022 RMB'000
Within 1 month	<b>396,049</b>	409,310
1 to 2 months	<b>84,936</b>	69,444
2 to 3 months	<b>22,075</b>	22,434
Over 3 months	<b>29,098</b>	65,608
Total	<b>532,158</b>	566,796

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 19. TRADE RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	5,422	2,765
Impairment losses	(958)	2,694
Amounts written off as uncollectible	(797)	(60)
Exchange realignment	2	23
At end of year	3,669	5,422

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
As at 31 December 2023					
Expected credit loss rate	0.1%	0.7%	0.3%	21.0%	0.7%
Gross carrying amount (RMB'000)	497,075	13,867	9,735	15,150	535,827
Expected credit losses (RMB'000)	373	96	25	3,175	3,669
As at 31 December 2022					
Expected credit loss rate	0.1%	0.6%	0.5%	10.6%	0.9%
Gross carrying amount (RMB'000)	485,991	18,799	21,745	45,683	572,218
Expected credit losses (RMB'000)	335	119	113	4,855	5,422



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 19. TRADE RECEIVABLES *(Continued)*

A subsidiary of the Group has entered into receivable purchase agreements with a financial institution for the factoring of trade receivables with certain designated customers. As at 31 December 2023, trade receivables factored to the financial institution aggregated to RMB50,044,000 (2022: RMB1,372,000), all of which were derecognised from the consolidated statement of financial position because, in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to the financial institution.

### 20. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2023 RMB'000	2022 RMB'000
Prepayments		<b>25,943</b>	217,795
Deposits and other receivables		<b>15,548</b>	21,227
Amounts due from associates	(i)	<b>14</b>	185
Amounts due from shareholders	(i)	<b>1,235</b>	1,486
<b>Total</b>		<b>42,740</b>	240,693

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 20. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(i) Particulars of the amounts due from associates and shareholders are as follows:

	Note	At 1 January 2023 RMB'000	Maximum amount outstanding during the year RMB'000	At 31 December 2023 RMB'000
<b>Due from associates</b>				
Alifax Diagnostics Co., Limited ("Alifax SH")	(a)	185	185	14
<b>Due from shareholders</b>				
Mr. Lin Xianya ("Mr. Lin") and his affiliate	(a)	149	149	149
Mr. Ho Kuk Sing ("Mr. Ho") and his affiliate	(a)	613	613	613
Mr. Leung King Sun ("Mr. Leung") and his affiliates	(a)	110	151	151
Shinva Medical Instrument Co., Ltd. ("Shinva") and its subsidiaries (collectively referred to as "Shinva Group")*	(a)	614	614	322
		<b>1,486</b>		<b>1,235</b>

The balances with associates and the shareholders and their affiliates are unsecured, non-interest-bearing and repayable on demand.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 20. PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

- (i) **Particulars of the amounts due from associates and shareholders are as follows:**  
*(Continued)*

	Note	At 1 January 2022 RMB'000	Maximum amount outstanding during the year RMB'000	At 31 December 2022 RMB'000
<b>Due from associates</b>				
Alifax SH	(a)	27	185	185
<b>Due from shareholders</b>				
Mr. Lin and his affiliate	(a)	138	149	149
Mr. Ho and his affiliate	(a)	578	613	613
Mr. Leung and his affiliates	(a)	96	110	110
Shinva Group	(a)	760	760	614
<b>Total</b>		<b>1,572</b>		<b>1,486</b>

\* Shinva is the ultimate holding company of Huatuo International Development Co., Limited ("Huatuo"), a substantial shareholder of the Company.

Note:

- (a) The balances with the associates and the shareholders are unsecured, non-interest-bearing and repayable on demand.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	1,178,717	1,038,527
Time deposits	119,044	–
Subtotal	1,297,761	1,038,527
Less: Pledged deposits pledged for bank facilities (note a)	(72,975)	(17,901)
Cash and cash equivalents	1,224,786	1,020,626

The cash and cash equivalents of the Group are denominated in HK\$, RMB, EUR and US\$.

At the end of the reporting period, the Group's cash and bank balances denominated in RMB amounted to RMB295,083,000 (2022: RMB264,192,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

*Note:*

- (a) As at 31 December 2023, the Group's pledged deposits amounted to RMB72,975,000 (2022: RMB17,901,000) were pledged to secure the Group's letter of credit aggregated to RMB353,055,000 (2022: RMB66,528,000).

### 22. TRADE AND BILLS PAYABLES

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

	2023 RMB'000	2022 RMB'000
Within 1 month	406,783	131,146
1 to 2 months	71,606	71,531
2 to 3 months	502	57,479
Over 3 months	27,676	63,898
Total	506,567	324,054

Included in the trade and bills payables are trade payables of RMB131,000 (2022: RMB110,000) due to an associate which are repayable within 60 days, which represents credit terms similar to those offered by the associate to its major customers.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 23. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000
Contract liabilities	(i)	<b>80,041</b>	56,937
Other payables		<b>39,582</b>	25,962
Accruals		<b>52,745</b>	45,025
Dividend payables		<b>146,637</b>	117,674
Lease liabilities	(ii)	<b>24,425</b>	20,424
Others		<b>649</b>	266
		<b>344,079</b>	266,288
Less: other payables included in non-current liabilities		<b>(13,289)</b>	(12,566)
<b>Total</b>		<b>330,790</b>	253,722

Notes:

- (i) Details of contract liabilities are as follows:

	2023 RMB'000	2022 RMB'000
<i>Short-term advances received from customers</i>		
Sales of goods	<b>80,041</b>	36,937
Provision of services	<b>–</b>	20,000
<b>Total contract liabilities</b>	<b>80,041</b>	56,937

Contract liabilities include short-term advances received to deliver goods and services.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

23. OTHER PAYABLES AND ACCRUALS *(Continued)*Notes: *(Continued)*

## (ii) The Group as a lessee

The Group has lease contracts for offices and warehouses and medical equipment used in operations. Leases of offices and warehouses generally have lease terms between 2 and 7 years while medical equipment generally has a lease term of 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	20,424	18,844
New leases	16,690	16,365
Accretion of interest recognized during the year	993	1,176
Payments	(13,447)	(16,485)
Lease termination/modification	(242)	537
Exchange realignments	7	(13)
Carrying amount at 31 December	24,425	20,424
Analysed into:		
Current portion	11,136	7,858
Non-current portion	13,289	12,566
Total	24,425	20,424

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

The Group has applied practical expedient to all eligible rent concessions granted by the lessors for leases of certain offices and warehouses during the year.

The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	993	1,176
Depreciation charge of right-of-use assets	13,591	12,745
Expenses relating to short-term leases	13,841	12,179
Gain on termination/modification of lease contracts	(7)	(82)
Total amount recognised in profit or loss	28,418	26,018

## (iii) Other payables are non-interest-bearing and have an average term of 60 days.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 24. INTEREST-BEARING BANK BORROWINGS

	Note	31 December 2023			31 December 2022		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current:</b>							
Bank loans							
– unsecured	(a)	<b>3.45-4.2</b>	<b>2024</b>	<b>319,896</b>	4.0-4.57	2023	329,497
Total – current				<b>319,896</b>			329,497
					<b>2023</b>		<b>2022</b>
					<b>RMB'000</b>		<b>RMB'000</b>
Analysed into:							
Bank loans repayable:							
Within one year					<b>319,896</b>		329,497

Note:

- (a) The bank loans bear interest at fixed rates ranging from 3.45% to 4.2% (2022: 4.0% to 4.57%) and all are denominated in RMB.

### 25. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

#### Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through profit or loss RMB'000	Withholding taxes RMB'000	Fair value gains arising from business combination RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2022	6,756	15,729	184,451	–	206,936
Deferred tax credited to profit or loss during the year	(985)	–	–	–	(985)
At 31 December 2022 and 1 January 2023	5,771	15,729	184,451	–	205,951
Deferred tax charged/(credited) to profit or loss during the year	(1,455)	(14,774)	–	4,855	(11,374)
At 31 December 2023	<b>4,316</b>	<b>955</b>	<b>184,451</b>	<b>4,855</b>	<b>194,577</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 25. DEFERRED TAX (Continued)

## Deferred tax assets

	Lease liabilities RMB'000	Impairment of trade receivables RMB'000	Unrealised gains resulting from intra- group transactions RMB'000	Total RMB'000
At 1 January 2022	–	591	4,960	5,551
Deferred tax credited to profit or loss during the year	–	2,560	123	2,683
At 31 December 2022 and 1 January 2023	–	3,151	5,083	8,234
Deferred tax credited to profit or loss during the year	4,388	407	1,726	6,521
At 31 December 2023	<b>4,388</b>	<b>3,558</b>	<b>6,809</b>	<b>14,755</b>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes.

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	<b>6,930</b>	5,366
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>(186,752)</b>	(203,083)
As at 31 December	<b>(179,822)</b>	(197,717)

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 25. DEFERRED TAX *(Continued)*

#### Deferred tax assets *(Continued)*

The Group has tax losses arising in Hong Kong of RMB938,000 (2022: RMB55,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Chinese Mainland of RMB51,800,000 (2022: RMB77,371,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen from subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

### 26. SHARE CAPITAL

	2023 RMB'000	2022 RMB'000
Authorised:		
3,000,000,000 ordinary shares of US\$0.0005 each (2022: 3,000,000,000 ordinary shares of US\$0.0005 each)	<b>10,280</b>	10,280
Issued and fully paid:		
1,354,590,080 ordinary shares of US\$0.0005 each (2022: 1,354,590,080 ordinary shares of US\$0.0005 each)	<b>4,637</b>	4,637

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 26. SHARE CAPITAL (Continued)

The movements in the Company's issued share capital during the years ended 31 December 2023 and 2022 were as follows:

	Number of ordinary shares	Nominal value of ordinary shares US\$'000	Equivalent to RMB'000
At 1 January 2022	1,352,990,000	677	4,632
Share options exercised (note a)	1,600,080	1	5
At 31 December 2022, 1 January 2023 and 31 December 2023	<b>1,354,590,080</b>	<b>678</b>	<b>4,637</b>

Note:

- (a) The subscription rights attaching to 1,600,080 share options were exercised at the subscription price of HK\$3.042 (equivalent to RMB2.467 as of the date of exercise) per share, resulting in the issue of 1,600,080 shares for a total cash consideration, before expenses, of RMB3,947,000. An amount of RMB1,077,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 27. SHARE OPTION SCHEMES

The Company operates a pre-initial public offering share option scheme (the "ESOP Scheme") and a share option scheme (the "Share Option Scheme") (collectively, the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Schemes include the Company's directors, employees, executives, officers, advisers, consultants, suppliers, customers and agents of the Group and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

#### a) Share Option Scheme

The Share Option Scheme was approved on 21 June 2019 and became effective on 12 July 2019 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from the Listing Date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the Listing Date. The maximum number of shares issued and issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at the date of grant. Any further grant of share options in excess of this limit is subject to among others, shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates would result in the total number of shares of the Company issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme to such person in any 12-month period up to and including the date of such grant, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, are subject to shareholders' approval in a general meeting.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 27. SHARE OPTION SCHEMES *(Continued)*

#### a) Share Option Scheme *(Continued)*

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

The offer of a grant of share option under the Share Option Scheme may be accepted within 7 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted under the Share Option Scheme is determinable by the directors, and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price of share options under the Share Option Scheme is determinable by the Board, but shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the share options, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares on the date of offer.

The following share options were outstanding under the Share Option Scheme during the year:

	2023		2022	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At beginning of year	3.042	25,067,920	3.042	26,668,000
Exercised during the year	3.042	–	3.042	(1,600,080)
At end of year	3.042	25,067,920	3.042	25,067,920

The weighted average share price at the date of exercise for share options exercised in 2022 was HK\$2.58 per share.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 27. SHARE OPTION SCHEMES *(Continued)*

#### a) Share Option Scheme *(Continued)*

The exercise prices and exercise period of the Share Options outstanding as at the end of the reporting period are as follows:

#### 2023

Number of options	Exercise price* HK\$ per share	Exercise period
1,733,420	3.042	Note 1
23,334,500	3.042	Note 2

#### 2022

Number of options	Exercise price* HK\$ per share	Exercise period
1,733,420	3.042	Note 1
23,334,500	3.042	Note 2

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Note 1: All share options are exercisable from 22 November 2019 to 21 November 2024.

Note 2: All share options are exercisable from 3 June 2020 to 2 June 2025.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 27. SHARE OPTION SCHEMES *(Continued)*

### a) Share Option Scheme *(Continued)*

There was no share option expense recognised during the year ended 31 December 2023 and 2022. There was no new share option granted during the year ended 31 December 2023 and 2022.

At the end of the reporting period, the Company had 25,067,920 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 25,067,920 additional ordinary shares of the Company and additional share capital of RMB82,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 25,067,920 share options outstanding under the Share Option Scheme, which represented approximately 1.85% of the Company's shares in issue as at that date.

### b) ESOP Scheme

The ESOP Scheme became effective on 29 December 2017 (the "Effective Date") and was further amended on 27 March 2019. The ESOP Scheme will remain in force for 7 years from the Effective Date unless terminated in accordance with the applicable laws and provisions of the ESOP Scheme or otherwise approved by the Board.

The principal terms of the ESOP Scheme are similar to the terms of the Share Option Scheme except that (i) no further options could be granted under the ESOP Scheme prior to the Listing Date; and (ii) the exercise conditions, exercise price and exercise period of the share options granted under the ESOP Scheme ("Management Options") are different as further detailed below.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 27. SHARE OPTION SCHEMES *(Continued)*

#### b) ESOP Scheme *(Continued)*

The following Management Options were outstanding under the ESOP Scheme during the year:

	2023		2022	
	Weighted average exercise price RMB per share	Number of options	Weighted average exercise price RMB per share	Number of options
At beginning and at end of year	1.69	13,003,051	1.69	13,003,051

The exercise prices and exercise periods of the Management Options outstanding as at the end of the reporting period are as follows:

#### 2023

Number of options	Exercise price* RMB per share	Exercise period
13,003,051	1.69	Note

#### 2022

Number of options	Exercise price* RMB per share	Exercise period
13,003,051	1.69	Note

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 27. SHARE OPTION SCHEMES *(Continued)*

#### b) ESOP Scheme *(Continued)*

Note: The Management Options may not be exercised until vested, except as approved by the Board and subject to the 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):

- (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:

	2017	2018	2019	2020	2021
	RMB (million)	RMB (million)	RMB (million)	RMB (million)	RMB (million)
Net Income Target	110	130	281	325	375

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

There was no share option expense recognised in profit or loss during the year ended 31 December 2023 and 2022. There was no new share option granted under the ESOP Scheme during the years ended 31 December 2023 and 2022.

At the end of the reporting period, the Company had 13,003,051 Management Options outstanding under the ESOP Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,003,051 additional ordinary shares of the Company and additional share capital of RMB45,452 (before issue expenses).

At the date of approval of these financial statements, the Company had 13,003,051 Management Options outstanding under the Scheme, which represented approximately 0.96% of the Company's shares in issue as at that date.

### 28. SHARE AWARD SCHEME

On 19 May 2020 (the "Adoption Date"), the Board of directors ("the Board") adopted a share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (the "Selected Employees") in accordance with the provisions of the Award Scheme and the maximum number of the Awarded Shares awarded to each of the Selected Employees under the Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 28. SHARE AWARD SCHEME *(Continued)*

Pursuant to the Award Scheme, the Board shall select the Selected Employees and determine the number of shares to be awarded. The Board shall pay Bank of Communications Trustee Limited (the "Trustee"), the Trustee engaged by the Company for the purpose of administrating the Award Scheme, the purchase price and the related expenses from the Company's resources for the shares to be purchased by the Trustee. The Trustee shall purchase from the market such a number of shares awarded as specified by the Board and shall hold such shares until they vest in accordance with the rules of the Award Scheme.

Also, the Board shall not make any further award of the Awarded Shares which will result in the aggregate number of the Shares awarded by the Board under the Award Scheme exceeding 10% of the issued share capital of the Company from time to time.

The Award Scheme shall be effective from the Adoption Date and shall continue in full force and effect for a term of 10 years unless sooner terminated as determined by the Board provided that such termination shall not affect any subsisting rights of the Selected Employees under the Award Scheme.

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

The following Awarded Shares were outstanding under the Award Scheme during the year:

	Notes	2023 Number of Awarded Shares '000	2022 Number of Awarded Shares '000
At 1 January			
Number of Awarded Shares held by the Trustee		<b>2,556</b>	30,000
Number of Awarded Shares granted but not yet vested		–	28,359
Maximum number of Awarded Shares available for grant		<b>107,141</b>	103,940
At 31 December			
Number of Awarded Shares held by the Trustee		<b>2,711</b>	2,556
Number of Awarded Shares granted but not yet vested		–	–
Maximum number of Awarded Shares available for grant*		<b>107,141</b>	107,141
Granted during the year	(a)	–	–
Lapsed during the year		–	41
Vested during the year	(a)	–	28,318
Purchased during the year	(b)	<b>155</b>	874

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 28. SHARE AWARD SCHEME *(Continued)*

Notes:

- (a) A total of 30,000,000 Awarded Shares were granted to the Selected Employees who are employees of the Group for the year ended 31 December 2021. The fair value of the Awarded Shares granted to the Selected Employees was HK\$63,600,000, equivalent to RMB53,550,000 (HK\$2.12 per share), of which the Group recognised employee share-based compensation benefits under the Awarded Share expense of RMB11,993,000 during the year ended 31 December 2022 (2021: RMB38,555,000) in respect of the Awarded Shares granted to the Selected Employees. All the Awarded Share were vested to the Selected Employees on 1 April 2022.
- (b) For the year ended 31 December 2023, the Trustee purchased 155,000 (2022: 874,000) Awarded Shares at a total cost (including transaction costs) of approximately HK\$304,000 (equivalent to RMB263,000) (2022: HK\$1,705,000, equivalent to RMB1,551,000).

\* As mentioned above, the Board shall not make any further award of Awarded Shares which will result in the aggregate number of the Awarded Shares granted under the Award Scheme exceeding 10% of the number of issued shares of the Company from time to time. For the avoidance of doubt, Awarded Shares awarded but lapsed in accordance with the terms of the Award Scheme will not be counted for the purpose of calculating the aforesaid 10% scheme limit; yet, those Awarded Shares conditionally granted on 29 March 2021 were counted towards the 10% scheme limit. No further Awarded Shares have been granted thereafter up to 31 December 2023 and the date of approval of these financial statements.

Therefore, the maximum number of Awarded Shares available for grant equal to the said 10% scheme limit less those Awarded Shares conditionally granted on 29 March 2021 plus those lapsed Awarded Shares out of the aforesaid granted Awarded Shares.

## 29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 99 to 100 of the consolidated financial statements.

### (a) Share premium

The Group's share premium represents the difference between the par value of the shares issued and the consideration received. Details of the movements in the share premium are set out in the consolidated statement of changes in equity.

### (b) Merger reserve

The Group's merger reserve represents the nominal value of the shares of subsidiaries and acquisition of non-controlling interests pursuant to the reorganisation in 2016.

### (c) Capital reserve

The Group's capital reserve represents the difference between the amounts of net consideration and the carrying values of non-controlling interests acquired or disposed of.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 29. RESERVES *(Continued)*

#### (d) Statutory reserve

In accordance with the Company Law of the PRC, the Company's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

#### (e) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to related profits should the related options expire after the vesting period.

#### (f) Award share reserve

The award share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the Selected Employees at the date of award.

#### (g) Exchange fluctuation reserve

The Group's exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations and the Company.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

## (a) Major non-cash transactions

## (i) Deregistration of a subsidiary

	2023 RMB'000
Net assets disposed of:	
Property, plant and equipment	31
Prepayments and other receivables	152
Other payables and accruals	(36)
	147
Realisation of exchange fluctuation reserve	1,691
	1,838

There was no net inflow/outflow of cash and cash equivalents in respect of the deregistration of a subsidiary during the year.

- (ii) During the year, the Group had non-cash additions to the right-of-use assets and lease liabilities of RMB16,690,000 and RMB16,690,000, respectively, in respect of lease arrangements for buildings and service equipment.

## (b) Changes in liabilities arising from financing activities:

2023

	Lease liabilities included in other payables RMB'000	Interest- bearing bank borrowings RMB'000
As at 1 January 2023	20,424	329,497
Changes from financing cash flows	(12,454)	(9,601)
New leases	16,690	-
Lease termination	(242)	-
Exchange realignment	7	-
Accretion of interest recognised	993	-
Interest paid	(993)	-
As at 31 December 2023	24,425	319,896

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

#### (b) Changes in liabilities arising from financing activities: *(Continued)*

2022

	Lease liabilities included in other payables RMB'000	Interest- bearing bank borrowings RMB'000
As at 1 January 2022	18,844	408,809
Changes from financing cash flows	(15,309)	(94,917)
New leases	16,365	–
Lease modification	537	–
Exchange realignment	(13)	15,605
Accretion of interest recognised	1,176	–
Interest paid	(1,176)	–
As at 31 December 2022	20,424	329,497

#### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	<b>13,841</b>	12,179
Within financing activities	<b>13,447</b>	16,485
Total	<b>27,888</b>	28,664

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

#### (d) Deemed partial disposal of interests in a subsidiary

On 2 November 2023, the Group entered into a Strategic Cooperation Agreements with Sysmex Shanghai Ltd. ("Sysmex SH"), pursuant to which Sysmex SH agreed to contribute capital of RMB100 million to Vastec SH. The transaction has been completed on 28 December 2023. Immediately following the completion of transaction, the Group's equity interests in Vastec SH was diluted from 100% to 95% and thus the transaction is considered as deemed partial disposal of Vastec SH by the Group. Since the deemed partial disposal of Vastec SH did not result in any loss of control, such transaction was accounted for as an equity transaction and the difference between the proceeds from Sysmex SH and the 5% carrying value of Vastec SH amounted to RMB58,087,000 is recognised in the capital reserve of the Group.

A summary of the financial impacts of the transaction are as follows:

	RMB'000
Proceeds from Sysmex SH	100,000
Less: 5% carrying value of Vastec SH	(41,913)
<b>Gain on deemed partial disposal of interests in Vastec SH</b>	<b>58,087</b>

An analysis of the cash flows in respect of the deemed disposal of partial interests in Vastec SH is as follow:

	RMB'000
Net inflow of cash and cash equivalents in respect of deemed disposal of partial interests in a subsidiary:	
Proceeds from Sysmex SH	100,000

Further details of this transaction are set out in the Company's announcements dated 2 November 2023 and 28 December 2023.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 31. RELATED PARTY TRANSACTIONS

#### (a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2023 RMB'000	2022 RMB'000
Purchases of products:			
Alifax SH	(i)	2,403	365
Shinva Group	(ii)	521	645
Rental expense:			
Shinva Group*	(iii)	3,656	3,664
Recognition of right-of-use assets:			
Mr. Ho*	(iv)	–	3,927
Mr. Leung*	(iv)	–	3,792
Mr. Lin*	(iv)	–	6,743

Notes:

- (i) The purchases from an associate, Alifax SH, were made according to the prices and conditions mutually agreed by the Group and the associate.
- (ii) The purchases from the Shinva Group were made according to the prices and conditions mutually agreed by the Group and the Shinva Group.
- (iii) The rental expense paid was based on the market rate.
- (iv) On 1 January 2022, the Group entered into several lease agreements with Mr. Ho, Mr. Lin and Mr. Leung, the shareholders of the Group, in relation to the leasing of an office for a term of three years. Right-of-use assets and lease liabilities of RMB14,462,000 and RMB14,462,000 were recognised on the same date in respect of the lease agreements. No addition of right-of-use asset in relation to leasing from related parties was recognised in 2023.

\* The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 31. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2023 RMB'000	2022 RMB'000
Short term employee benefits	2,878	2,345
Performance-related bonuses	1,264	900
Employee share-based compensation benefit under the Award Scheme	–	1,643
Post-employment benefits	453	397
<b>Total compensation paid to key management personnel</b>	<b>4,595</b>	<b>5,285</b>

The above compensation of key management personnel excludes the directors' remuneration, details of which are set out in note 8 to the financial statements.

### 32. COMMITMENTS

The Group had the following contractual commitment provided to a joint venture at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Capital contributions	29,829	30,401

### 33. FINANCIAL INSTRUMENTS BY CATEGORY

Except for financial assets at fair value through profit or loss disclosed in note 17 to the consolidated financial statements, all financial assets and liabilities of the Group as at 31 December 2023 and 2022 are classified as financial assets and liabilities at amortised cost, respectively.



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

The carrying amount and the fair value of the Group's financial instruments, other than those carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 December 2023 RMB'000	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2022 RMB'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	<b>25,256</b>	59,378	<b>25,256</b>	59,378
<b>Financial liabilities</b>				
Interest-bearing bank borrowings	<b>319,896</b>	329,497	<b>309,228</b>	316,824

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, and financial liabilities included in other payables and accruals 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.

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

*(Continued)*

#### Fair value hierarchy

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2023 and 2022:

#### As at 31 December 2023

	Significant Valuation Technique	Unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity investments	Discount cash Flow method	Discount rate	8%	1% increase (decrease) in discount rate would have no material impact on the fair value

#### As at 31 December 2022

	Valuation Technique	Significant unobservable inputs
Unlisted fund investments	Net assets value per share	Net assets of the underlying funds

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments as at 31 December 2023:

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

(Continued)

#### Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss:				
Unlisted fund investments	–	15,239	–	15,239
Unlisted equity investments	–	–	10,017	10,017
	–	15,239	10,017	25,256

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments as at 31 December 2022:

#### Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss:				
Unlisted fund investments	–	31,104	5,026	36,130
Unlisted equity investments	–	23,248	–	23,248
	–	54,352	5,026	59,378

During the year, the fair value measurements of unlisted equity investment of RMB23,248 has transferred from Level 2 to Level 3 (2022: Nil). There was no transfers of fair value measurements between Level 1 and Level 2 (2022: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

*(Continued)*

#### Assets measured at fair value: *(Continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	<b>Total RMB'000</b>
Financial assets at fair value through profit or loss:	
At 1 January 2023	<b>5,026</b>
Transfer from Level 2 to Level 3	<b>23,248</b>
Disposals	<b>(4,782)</b>
Total loss recognised in profit or loss	<b>(13,475)</b>
At 31 December 2023	<b>10,017</b>

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables, other receivables, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

#### Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on cash and bank balances).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
<b>2023</b>		
RMB	100	1,109
HK\$	100	5,170
US\$	100	4,778
RMB	(100)	(1,109)
HK\$	(100)	(5,170)
US\$	(100)	(4,778)
<b>2022</b>		
RMB	100	2,476
HK\$	100	3,000
US\$	100	4,731
RMB	(100)	(2,476)
HK\$	(100)	(3,000)
US\$	(100)	(4,731)

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

**35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(Continued)***Foreign currency risk**

The Group has transactional currency exposures. Such exposures arise from bank deposits held by operating units in currencies other than the units' functional currencies. Approximately 77.3% (2022: 74.6%) of the Group's cash and cash equivalents were denominated in currencies other than the functional currency of the operating units.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
<b>2023</b>		
If RMB weakens against HK\$	<b>1</b>	<b>5,203</b>
If RMB strengthens against HK\$	<b>(1)</b>	<b>(5,203)</b>
If RMB weakens against US\$	<b>1</b>	<b>4,850</b>
If RMB strengthens against US\$	<b>(1)</b>	<b>(4,850)</b>
	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
<b>2022</b>		
If RMB weakens against HK\$	1	3,014
If RMB strengthens against HK\$	(1)	(3,014)
If RMB weakens against US\$	1	4,731
If RMB strengthens against US\$	(1)	(4,731)



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

#### 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 the 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.

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for the financial assets.

#### As at 31 December 2023

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	–	–	–	535,827	535,827
Financial assets included in prepayments and other receivables**					
– Normal	16,797	–	–	–	16,797
Cash and cash equivalents					
– Not yet past due	1,224,786	–	–	–	1,224,786
Pledged deposits	72,975	–	–	–	72,975
<b>Total</b>	<b>1,314,558</b>	<b>–</b>	<b>–</b>	<b>535,827</b>	<b>1,850,385</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*Maximum exposure and year-end staging *(Continued)*

As at 31 December 2022

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	572,218	572,218
Financial assets included in prepayments and other receivables**					
– Normal	22,898	–	–	–	22,898
Cash and cash equivalents					
– Not yet past due	1,020,626	–	–	–	1,020,626
Pledged deposits	17,901	–	–	–	17,901
<b>Total</b>	<b>1,061,425</b>	<b>–</b>	<b>–</b>	<b>572,218</b>	<b>1,633,643</b>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

\*\* The credit quality of the financial assets included in prepayments and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

#### Liquidity risk

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

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2023					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	2,197	9,889	13,033	208	25,327
Interest-bearing bank borrowings	–	206,104	116,200	–	–	322,304
Trade and bills payables	506,567	–	–	–	–	506,567
Other payables and accruals	238,964	–	–	–	–	238,964
<b>Total</b>	<b>745,531</b>	<b>208,301</b>	<b>126,089</b>	<b>13,033</b>	<b>208</b>	<b>1,093,162</b>

	2022					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	1,788	7,212	11,629	438	21,067
Interest-bearing bank borrowings	–	218,531	114,640	–	–	333,171
Trade and bills payables	324,054	–	–	–	–	324,054
Other payables and accruals	188,661	–	–	–	–	188,661
<b>Total</b>	<b>512,715</b>	<b>220,319</b>	<b>121,852</b>	<b>11,629</b>	<b>438</b>	<b>866,953</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

## Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss (note 17) as at 31 December 2023 and 2022.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2023	High/low 2023	31 December 2022	High/low 2022
Hong Kong – Hang Seng Index	17,047	22,701/ 15,972	19,781	25,051/ 14,597
	Carrying amount RMB'000	Increase/ (decrease) in price %	Increase/ (decrease) in profit before tax RMB'000	
<b>2023</b>				
Private equity investments				
– Financial assets at fair value through profit or loss	25,256	10% (10%)	2,526/ (2,526)	
<b>2022</b>				
Private equity investments				
– Financial assets at fair value through profit or loss	59,378	10% (10%)	5,938/ (5,938)	

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is total debt divided by total assets. Total debt represented total interest-bearing bank borrowings. The gearing ratios as at the end of the reporting periods were as follows:

	<b>31 December 2023 RMB'000</b>	31 December 2022 RMB'000
Interest-bearing bank borrowings (note 24)	<b>319,896</b>	329,497
Total assets	<b>4,785,052</b>	4,314,277
Gearing ratio	<b>6.7%</b>	7.6%

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	2,017,148	2,017,314
Financial assets at fair value through profit or loss	15,239	36,129
Total non-current assets	2,032,387	2,053,443
CURRENT ASSETS		
Other receivables	257,818	88,650
Cash and cash equivalents	994,766	784,935
Total current assets	1,252,584	873,585
CURRENT LIABILITIES		
Other payables	594,641	414,269
Total current liabilities	594,641	414,269
NET CURRENT ASSETS	657,943	459,316
Net assets	2,690,330	2,512,759
EQUITY		
Share capital	4,637	4,637
Reserves (note)	2,685,693	2,508,122
Total equity	2,690,330	2,512,759



## NOTES TO FINANCIAL STATEMENTS

31 December 2023

### 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note: A summary of the Company's reserves is as follows:

	Share premium RMB'000	Merger reserve RMB'000	Shares held for Award Scheme RMB'000	Share option reserve RMB'000	Award share reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
				(Note 29(e))				
At 1 January 2023	2,328,800	63,907	(1,557)	37,166	50,456	19,028	10,322	2,508,122
Profit for the year	-	-	-	-	-	-	284,744	284,744
Other comprehensive loss for the year:								
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	(2,405)	-	(2,405)
Total comprehensive income for the year	-	-	-	-	-	(2,405)	284,744	282,339
Purchase of shares for the Award Scheme	-	-	(263)	-	-	-	-	(263)
Final 2022 dividend	(67,570)	-	-	-	-	-	-	(67,570)
Interim 2023 dividend	(36,935)	-	-	-	-	-	-	(36,935)
At 31 December 2023	2,224,295	63,907	(1,820)	37,166	50,456	16,623	295,066	2,685,693

## NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: A summary of the Company's reserves is as follows: (Continued)

	Share premium RMB'000	Merger reserve RMB'000	Shares held for Award Scheme RMB'000	Share option reserve RMB'000	Award share reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
				(Note 29(e))				
At 1 January 2022	2,415,733	63,907	(98)	38,243	38,555	(28,255)	1,856	2,529,941
Profit for the year	-	-	-	-	-	-	8,466	8,466
Other comprehensive income for the year:								
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	47,283	-	47,283
Total comprehensive income for the year	-	-	-	-	-	47,283	8,466	55,749
Issuance of new shares upon exercise of share options	5,019	-	-	(1,077)	-	-	-	3,942
Vesting of shares under the Award Scheme	-	-	92	-	(92)	-	-	-
Purchase of shares for the Award Scheme	-	-	(1,551)	-	-	-	-	(1,551)
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	11,993	-	-	11,993
Final 2021 dividend	(59,917)	-	-	-	-	-	-	(59,917)
Interim 2022 dividend	(32,035)	-	-	-	-	-	-	(32,035)
At 31 December 2022	2,328,800	63,907	(1,557)	37,166	50,456	19,028	10,322	2,508,122

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2024.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years, is set out below.

### RESULTS

	Year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
REVENUE	<b>3,088,387</b>	2,748,809	2,730,670	2,428,210	2,332,740
PROFIT BEFORE TAX	<b>339,329</b>	283,789	267,940	231,956	296,940
Income tax expense	<b>(102,203)</b>	(88,259)	(106,190)	(77,338)	(42,121)
PROFIT FOR THE YEAR	<b>237,126</b>	195,530	161,750	154,618	254,819
Attributable to:					
Owners of the parent	<b>238,163</b>	209,999	174,541	158,718	275,001
Non-controlling interests	<b>(1,037)</b>	(14,469)	(12,791)	(4,100)	(20,182)
	<b>237,126</b>	195,530	161,750	154,618	254,819

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	<b>4,785,052</b>	4,314,277	4,367,361	3,907,096	3,870,260
Total liabilities	<b>(1,399,163)</b>	(1,160,813)	(1,373,949)	(1,047,821)	(1,064,087)
Non-controlling interests	<b>(40,954)</b>	(78)	(14,547)	(8,122)	12,493
	<b>3,344,935</b>	3,153,386	2,978,865	2,851,153	2,818,666

The summary of the consolidated results of the assets, liabilities and non-controlling interests of the Group for the past five financial years has been extracted from the published audited financial statements.